

7/22/14

CEOs

OFFICE OF PUBLIC LIAISON
THE WHITE HOUSE

MEMORANDUM FOR ALEXIS HERMAN
GREG LAWLER

FROM: CAREN WILCOX *W*

SUBJECT: ACTIVITIES OF WEEK OF JULY 18, 1994

DATE: JULY 22, 1994

This week there were several private meetings with the business community on the subject of health care, support for future events with the business community and encouragement to the business community to be helpful on other events, as well as two specific outreach events.

July 18 - Meeting with Ameritech, IBM, GE, Allied Signal and Hershey Foods and their representative Larry Atkins, to discuss a letter they and over twenty companies had sent to the President regarding health care reform. Greg Lawler and Jack Lew as well as Steve Hilton were also at the meeting. Letter and follow up memo are attached.

July 19 - Bus trip support calls to McDonnell Douglas, H. J. Heinz, Nike, Independent Drivers, Pharmacists, RV and Campgrounds, Architects, Parking Lots and other small business coalition members to support the bus trip. Recruitment for Secretary Brown's event with ILGWU in NYC on July 25; recruitment of National Leadership Coalition and companies for Hill event July 10. Recruitment of Secretary Cisneros to address 2500 members of the Cooperative movement on health care and economic accomplishments of the administration for July 20. Follow-up to Atkins group letter.

July 20 - Pre-event planning for both CEO lunch and press conference on Hill July 21. Follow up to small business coalition events including mailing press photos.

July 21 - Press Conference on Hill with 7 CEOs (Manpower, Safeway, GEC Marconi Electronic Systems Corporation, Fortis Inc., American Automobile Manufacturers Association, Corn Growers of America, and Majority Leader Gephardt, Chairman Gibbons, Senator Kennedy, Senator Daschle and Senator Metzenbaum, as well as many representatives of Fortune 200 companies. Message: do health reform this year and include universal coverage and employer responsibility in it. Well covered by print and radio and some television. Good

reporting on NPR, and in print. Primary organizers - Jim Moody and Letitia Chambers of Chambers Associates with participation by National Leadership Coalition and cooperation from Atkins group members and Anne Wexler's organization.

Lunch with Bob Rubin, Greg Lawler and Alexis Herman with the seven CEOs in the White House mess.

July 22 - Meeting of Alexis Herman and Caren Wilcox with David Lambert and Phil Schneider of National Association of Chain Drugs regarding activities of small business coalition including planned media tour and planned event with Hawaii representatives of small business. Discussion of their issues.

Planning for next few weeks events, briefings and meetings.

cc: Steve Hilton

OPL BUSINESS 7/18-22
SPECIFIC EVENTS

Meeting with IBM, Ameritech, GE, Allied Signal and Hershey Foods

Meeting with National Association of Chain Drug Stores

Meeting/lunch at The White House with 7 CEOs supportive of health care reform now, universal coverage and employer responsibility.

Press Conference with Ad Hoc Lobbying Coalition, National Leadership Coalition and Senators Kennedy, Daschle and Metzenbaum and Majority Leader Gephardt and Chairman Gibbons.

OFFICE OF PUBLIC LIAISON

MEMORANDUM TO HAROLD ICKES
ALEXIS HERMAN

FROM: Greg Lawler, Caren Wilcox

SUBJECT: Corporate Health Care Coalition

DATE: July 18, 1994

We met with representatives of Ameritech, Allied Signal, IBM, Hershey Foods, and GE and Larry Atkins, their representative today. Jack Lew and Steve Hilton attended most of the meeting.

They delivered the attached letter for the President, and we had a discussion of their issues. While we tried to encourage them to understand that many, but not all of their issues may be solved, they were clearly trying to deliver a very serious message. We also urged that they keep their CEOs pumped up during this complex and difficult period of concern on the Hill.

If asked about the letter we believe we should indicate that it continues to reflect their continuing commitment to health care reform, universal coverage, employer mandates and cost containment. It also reflects their very real concerns about multi-state company issues in an interim state-dominated environment; single payer requirements; the "anti-managed care" provisions of Ways and Means; and financing of benefits from their tax dollars in the absence of an employer mandate.

We indicated that we felt that the Hill was dealing with many of their issues in their favor, but that no one would get everything they want in any bill, and that before Conference the House and Senate bills would probably not satisfy their concerns.

They did specifically indicate that they are close to achieving some understanding with a group of state representatives on the issues of state interim financing, and they have given a document to Senator Mitchell reflecting that agreement. They do not know if he has accepted it. It does not represent an agreement with the NGA or DGA, because such direct discussions have not occurred.

Of the companies, Allied Signal seemed the most inclined to fall off the cliff, and GE indicated that there were "many" companies which were already backing away from reform, without naming them.

We will pursue having some calls made CEO to CEO to this group.

cc: Steve Hilton, Jack Lew, Melanne Verveer, Mike Lux, Amy Zisook

CORPORATE HEALTH CARE COALITION

1133 Connecticut Ave., N.W., Suite 1200, Washington, DC 20036
(202) 775-9834 Phone (202) 833-8491 Fax

July 18, 1994

AlliedSignal Inc.
Amertech
Amoco Corporation
Atlantic Richfield Company
Bell Atlantic
The Boeing Company
Coca Enterprises, Inc.
Digital Equipment Corporation
Dow Chemical Company
DuPont Company
Eastman Kodak Company
General Electric Company
GTE Corporation
Hershey Foods Corporation
Intel Corporation
International Business
Machines Corporation
McDonnell Douglas Corporation
MCI Communications Corporation
Pacific Telesis Group
Southwestern Bell Corporation
United Parcel Service
U S West Inc.

The Honorable William J. Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

As leaders of some of the largest Fortune 500 companies, we have supported the health care reform goals of controlling costs and achieving universal coverage. We have assumed the foundation for any national reform would be the successful comprehensive health plans that large, multistate employers provide for their employees and their dependents. As we have worked to help move health care reform through the committees of the Congress, we have become increasingly concerned that the emerging legislation would make it difficult, if not impossible, for us to continue operating our plans or managing our costs.

Our companies are committed to providing quality, cost effective health benefits for our employees and their dependents. This commitment is consistent with, and indeed, fundamental to, the goals of universal coverage and cost containment. We cannot support health care reform that conflicts with these goals by putting our health plan and our employees' health care benefits at risk.

Specifically, legislation that would give the states the flexibility to independently design their own health care systems not only would undermine national reform, but also would undermine our companies' national cost containment strategies. A major reason for our support of national reform this year is to preserve federal governance of our multistate plans, which now occurs under ERISA. National reform that grants new state authority over our plans is far worse for us than no reform.

Emerging legislation would also undo the success we have had in controlling costs by placing prohibitions on provider selection and other managed care techniques that have been integral to our success. The new "anti-managed-care" provisions which some committees have adopted would eliminate our ability to manage our programs and substantially raise our costs and national health expenditures as well.

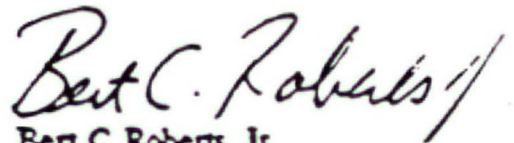
Moreover, it is unreasonable to impose new taxes or assessments on those who already pay for the millions of uninsured Americans through cost shifting, if the Congress is unwilling to impose any obligations on employers and individuals who now pay nothing. Additional financing for "social responsibility" is acceptable only if it is society wide and only in the context of universal coverage.

As health care reform moves to the congressional leadership and the House and Senate floors, we ask for your assistance in ensuring that the efforts of large, multistate employers are not undermined and the goals of health care reform undercut by the final bills presented to the full House and Senate.

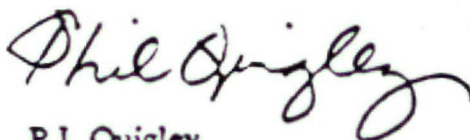
Sincerely,



Robert B. Palmer
President and
Chief Executive Officer
Digital Equipment Corporation



Bert C. Roberts, Jr.
Chairman and Chief Executive
Officer
MCI Communications Corp.



P.J. Quigley
Chairman, President and
Chief Executive Officer
Pacific Telesis Group



Louis V. Gerstner, Jr.
Chairman of the Board and
Chief Executive Officer
International Business
Machines Corporation

Richard C. Notebaert
Richard C. Notebaert
Chairman and Chief
Executive Officer
Ameritech

Ray Smith
Ray Smith
Chairman and Chief
Executive Officer
Bell Atlantic

Frank P. Popoff
Frank P. Popoff
Chairman and Chief
Executive Officer
Dow Chemical Company

Larry Fuller
Larry Fuller
Chairman and Chief
Executive Officer
Amoco Corporation

Richard D. McCormick
Richard D. McCormick
Chairman of the Board and
Chief Executive Officer
U S West Incorporated

Edward E. Whitacre, Jr.
Edward E. Whitacre, Jr.
Chairman and Chief
Executive Officer
Southwestern Bell Corporation

Edgar S. Woolard, Jr.

Edgar S. Woolard, Jr.
Chairman and Chief
Executive Officer
DuPont Company

Kenneth L. Wolfe

Kenneth L. Wolfe
Chairman and Chief
Executive Officer
Hershey Foods Corporation

Larry Bossidy

Larry Bossidy
Chairman and Chief
Executive Officer
AlliedSignal, Inc.

Gordon E. Moore

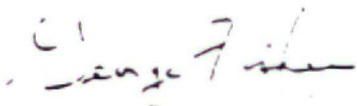
Gordon E. Moore
Chairman
Intel Corporation

Kent C. Nelson

Kent C. Nelson
Chairman and Chief
Executive Officer
United Parcel Service

Charles R. Lee

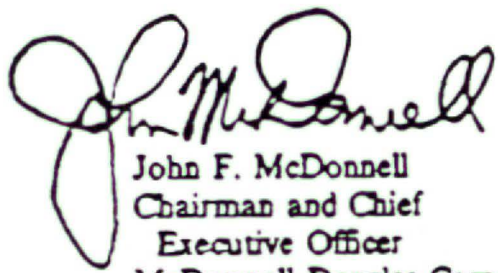
Charles R. Lee
Chairman of the Board
and Chief Executive Officer
GTE Corporation



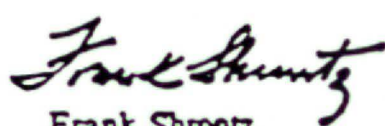
George M.C. Fisher
Chairman, President
and Chief Executive Officer
Eastman Kodak Company



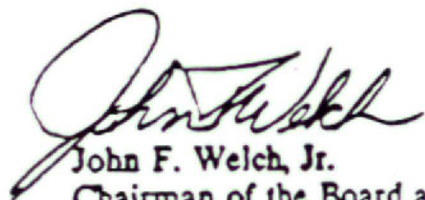
James C. Kennedy
Chairman and Chief
Executive Officer
Cox Enterprises, Inc.



John F. McDonnell
Chairman and Chief
Executive Officer
McDonnell Douglas Corporation



Frank Shrontz
Chairman and Chief
Executive Officer
The Boeing Company



John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer
General Electric Company

AD HOC BUSINESS GROUP

ON

HEALTH CARE REFORM

July 21, 1994

The Honorable Richard A. Gephardt
United States House of Representatives
1432 LHOB
Washington, DC 20510

The Honorable George J. Mitchell
United States Senate
SR-176
Washington, DC 20510

Dear Majority Leader:

As companies which are among the nation's largest employers, we urge you to support passage this year of comprehensive health care reform that provides for universal coverage through shared employer responsibility, thus ensuring health care coverage for all Americans.

Now is the time for action. The failings of our current system are well documented -- large numbers of citizens are uninsured, many lack affordable coverage, and there is damaging cost shifting and excessive inflation in the health care sector. Only comprehensive reform can address these problems.

It is time to place the health security of all Americans at the top of the national agenda. This year offers a unique opportunity to address one of the major causes of fear and anguish among our citizens, and one of the major threats to America's long-term economic well-being.

Now is the time for leadership. If Congress fails to act this year, it is unlikely to have another chance at comprehensive reform in this century. The 103rd Congress would be remembered as one which missed a historic opportunity. This must not happen.

We are confident that Congress has the vision, the courage, and the commitment to the greater good of our country to enact comprehensive reform over the next few precious months.

A & P (Great Atlantic and Pacific Tea Company)

ABB Inc.

Acme Steel

AEL Industries

American Corn Growers

American Automobile Manufacturers Association

American Iron and Steel Institute

AMR Corporation (American Airlines)

Archer Daniels Midland Company

Armco Inc.

Bethlehem Steel Corporation

Champion International Corporation

Chrysler Corporation

Drummond Company

Eagle Picher Industries

EDS

Food for Less Grocery

Ford Motor Company

Fortis, Inc.

GEC-Marconi Electronic Systems Corporation

General Motors

Giant Food

Hechinger Company

H.J. Heinz

IBM

Ingersoll-Rand Company

Inland Steel

Loral

Manpower Inc.

Maytag

McDonnell Douglas

National Steel

National Association of Chain Drug Stores

Norfolk Southern Corporation

Pella Corporation

Pioneer Hi-Bred International, Inc.

Ralphs Grocery

Rohm & Haas

Safeway, Inc.

Scott Paper Company

Southern California Edison Company

The LTV Steel Company

The Principal Financial Group

Time Warner, Inc.

United Distillers North America

USX

The Vons Companies

Westinghouse

Wisconsin Public Service Corporation

Zenith Electronic Corporation

Eckerd Corporation

July 12, 1994

The Honorable George J. Mitchell
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Senator Mitchell:

We are writing to reaffirm our strong support for comprehensive health care reform and our commitment to working with you and your colleagues to secure it -- this year, in this session of Congress.

We believe, as you do, that the need for effective reform transcends considerations of partisan politics. We will continue to be rigorously nonpartisan in our efforts on behalf of legislation that will achieve the following three objectives:

(1) assuring -- through a combination of an employer mandate and an individual mandate -- health coverage for all Americans by a time certain and soon.

(2) containing health care costs through a combination of competition, delivery system reforms, expenditure targets, and rate-setting for the fee-for-service segment of the health care system.

(3) improving the quality of health care through an increased commitment to outcomes research, malpractice reform, and the development and dissemination of practice guidelines.

Legislation that meets these three tests would enhance the health and peace of mind of American families, bring spiraling health care costs under better control, and end the destructive shifting of costs to and among American businesses.

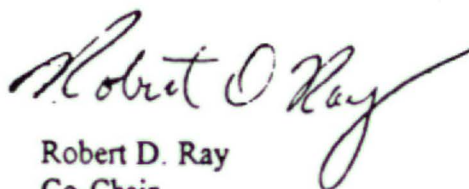
The members of our Coalition -- businesses, unions, consumer groups, and associations of health care providers -- recognize that in the short term comprehensive reform would require money, and we stand ready to support equitable measures to finance such reform. We believe that reform would pay for its cost many times over -- by slowing the rate at which health care spending escalates, for governments and businesses and families. We also believe that reform should permit large employers to continue to self-insure their employees -- and that it should not encourage wide variations in requirements from state to state that would make any new system inordinately complicated for multi-state firms.

The debate about health care reform offers an opportunity for Congress to help Americans and their employers simultaneously -- and, more broadly, to build a better health care system to serve the interests of our people and our economy in the decades to come. We look forward to working with, and standing with, members of Congress to help achieve a great victory in the months just ahead.

Sincerely,



Paul G. Rogers
Co-Chair



Robert D. Ray
Co-Chair

THE NATIONAL
LEADERSHIP
COALITION FOR
HEALTH CARE
REFORM

444 14TH STREET, N.W.
WASHINGTON, D.C. 20004
(202) 637-6830

HONORARY CO-CHAIR:

Former President Jimmy Carter
Former President Gerald Ford

CO-CHAIRS

The Honorable Paul G. Rogers, L.D.
The Honorable Robert D. Ray, L.L.B.

PRESIDENT

Henry E. Simmons, M.D., M.P.H.

EXECUTIVE DIRECTOR

Margaret M. Rhoades, Ph.D.

MEMBERS OF THE NATIONAL LEADERSHIP COALITION FOR
HEALTH CARE REFORM

Acme Steel Company
Amalgamated Clothing & Textile Workers Union, AFL-CIO
American Academy of Family Physicians
American Academy of Pediatrics
American Association of Retired Persons
American Automobile Manufacturers' Association
American College of Physicians
American Federation of Teachers, AFL-CIO
American Iron & Steel Institute
American Nurses Association, Inc.
American Physical Therapy Association
American Psychological Association
American Subacute Care Association
Association of Academic Health Centers
Association of Minority Health Professional Schools
B. C. Enterprises
Bannon Research
Bethlehem Steel Corporation
Blue Diamond Growers
Brown & Cole Stores
Burlington Coat Factory
Ceridian Corporation
Christian Children's Fund
Chrysler Corporation
Cold Finished Steel Bar Institute
CoreStates Financial Corp.
Del Monte Foods
Designworks Inc.
Drummond Company Inc.
Families USA Foundation
Filter Materials
First Interstate Bancorp
Ford Motor Company
General Motors Corporation
Georgia-Pacific Corporation
Giant Food Inc.
The Great Atlantic & Pacific Tea Company, Inc.
Gross Electric Inc.
The Heights Group
H. J. Heinz Co.
Inland Steel Company
INSIGHT Treatment Services, Inc.
International Brotherhood of Electrical Workers
International Multifoods
International Union of Bricklayers and Allied Craftmen
James River Corporation
Johnstown Corporation
Keebler Company
Keller Glass Company
Lincoln Telephone & Telegraph Co.
LTV Steel Company
Lukens Inc.
Mankoff, Inc.

July 18, 1994

Maternity Center Association
 Maytag Corporation
 MEDNET
 National Association of Childbearing Centers
 National Association of State Boards of Education
 National Education Association
 National Steel Corporation
 Navistar International Transportation Corporation, Inc.
 Norwest Corporation
 Olympia West Plaza, Inc.
 PAR Associates
 Pella Corporation
 Preferred Benefits
 R. R. Donnelley & Sons Co.
 Ralphs Grocery Company
 Regis Corporation
 Rohm & Haas Company
 Safeway Inc.
 Sara Lee Corporation
 Scott Paper Co.
 Service Employees International Union, AFL-CIO
 Sokolov Strategic Alliance
 Southern California Edison Company
 Strategic Marketing Information, Inc.
 Texas Heart Institute
 Time Warner Inc.
 United Air Lines, Inc.
 United Food and Commercial Workers International Union, AFL-CIO
 United Paperworkers International Union, AFL-CIO
 United States Catholic Conference
 United Steelworkers of America, AFL-CIO
 U.S. Bancorp
 Westinghouse Electric Corporation
 Wheat, First Securities, Inc.
 Wheeling-Pittsburgh Steel Corp.
 The Whitman Group
 Wisconsin Public Service Corporation
 Xerox Corporation

July 18, 1994

AD HOC BUSINESS GROUP

ON

HEALTH CARE REFORM

List of Attendees
Press Conference
July, 21, 1994

Manpower Inc.
Mitchell Fronstein
CEO

Safeway Inc.
Steven A. Burd
CEO & President

American Automobile Association
Andrew Card
CEO

Fortis, Inc.
Carl Schramm
CEO

American Corn Growers Association
Gary Goldberg
CEO

GEC-Marconi Systems
Mark H. Ronald
President & CEO

Hechinger Company
John W. Hechinger, Sr.
Chairman of the Board

A&P (The Great Atlantic & Pacific Tea Company)
Michael Rourke
Senior Vice President of Communications & Corporate Affairs

Ad Hoc Business Group on Health Care Reform
Letitia Chambers
Jim Moody
Chambers Associates Incorporated

AEL
Charles Cronin
Senior Vice President of Business Development

American Airlines
Ed Faberman
Vice President, Government Affairs
Cynthia E. Berry
Legislative Representative

American Automobile Association
Mel Bass
Director, Health & Benefits Policy

American Corn Growers Association
David Senter
Director of Congressional & Public Affairs

American Iron & Steel
Peter Hernandez
Vice President, Employee Relations

Ameritech
Dorothy Walsh
Director, Federal Relations (Congressional)

Archer Daniels Midland Company
Martin Sorkin
Economic Consultant

Bethlehem Steel
William Wickert
Vice President, Federal Government Affairs

Champion International Corporation
Jeanne Connelly
Vice President

Chrysler Corporation
Robert Liberatore
Vice President, Washington Affairs
Wally Maher
Director, Federal Relations

Eagle-Picher Industries, Inc.
John H.F. Hoving
Washington Representative

EDS
William Sweeney
Director, Government Relations

Ford Motor Company
Elliott Hall
Vice President, Washington Affairs
Bill Little
Legislative Associate

Fortis, Inc.
Bruce Fried
Washington Representative

General Motors Corporation
Bill Ball
Director, Washington Office

Giant Food
Barry Scher
Vice President, Public Affairs

H.J. Heinz
Garry Matson
Director, Compensation and Benefits

IBM
Chris Caine
Manager, Governmental Programs

LTV Steel Company
Gael Sullivan
Director, Federal Relations

Maytag
Douglas Horstman
Corporate Vice President

McDonnell Douglas
Michele Sorenson
Manager, Legislative Liaison

National Association of Chain Drug Stores
David Lambert
Vice President of Government Affairs

Norfolk Southern Corporation
John F. Corcoran
Vice President, Public Affairs

Pioneer H-Bred International, Inc.
Robert J. Foster
Director of Benefits

Rohm and Haas
Geoff Hurowitz
Director of Government Relations

Scott Paper
Jim Morrill
Vice President, Government & Community Relations

The National Leadership Coalition for Health Care Reform
Dr. Henry Simmons
Director
Peggy Rhoades

The Principal Financial Group
Stuart J. Brahs
Vice President

Time Warner
Timothy A. Boggs
Senior Vice President for Public Policy
Art Sackler
Vice President, Law & Public Policy

USX
Terrence Straub
Vice President, Public Affairs

Westinghouse
John Rayburn
Vice President, Government Programs

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 J. P. NICOLE, TEXAS
 CHARLES S. BANGEL, NEW YORK
 FORTNEY PETT STARR, CALIFORNIA
 ANDY JACOBS, JR., MICHIGAN
 HAROLD E. FORD, TENNESSEE
 ROBERT T. MATSUDA, CALIFORNIA
 BARBARA B. EINHORN, CONNECTICUT
 WILLIAM J. COYNE, PENNSYLVANIA
 MICHAEL A. ANDREWS, TEXAS
 SANDER M. LEVIN, MICHIGAN
 BENJAMIN L. CARDIN, MARYLAND
 JIM MCDERMOTT, WASHINGTON
 GERALD D. KLECKA, WISCONSIN
 JOHN LEWIS, GEORGIA
 L. J. PATNE, VIRGINIA
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 PETER HOAGLAND, NEBRASKA
 MICHAEL R. MURPHY, NEW YORK
 MARK KOPPEL, OREGON
 WILLIAM J. JEFFERSON, LOUISIANA
 BILL E. BREWSTER, OKLAHOMA
 MEL REYNOLDS, ILLINOIS

BILL ARCHER, TEXAS
 PHILIP M. CRANE, ILLINOIS
 BILL THOMAS, CALIFORNIA
 E. CLAY SHAW, JR., FLORIDA
 DON SUNDQUIST, TENNESSEE
 NANCY L. JOHNSON, CONNECTICUT
 JIM BURNING, KENTUCKY
 FRED GRANDY, IOWA
 AMO HOUGHTON, NEW YORK
 WALLY HENGER, CALIFORNIA
 JIM MCINERY, LOUISIANA
 MEL HANCOCK, MISSOURI
 RICE SANTORUM, PENNSYLVANIA
 DAVE CAMP, MICHIGAN

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515-6348

JANICE BAYL, CHIEF COUNSEL AND STAFF DIRECTOR
 DEBORAH S. COLTON, DEPUTY STAFF DIRECTOR
 FRANKLIN C. PHIBBS, JR., COUNSEL TO THE ACTING CHAIRMAN

PHILIP B. MOSELEY, MINORITY CHIEF OF STAFF

FOR IMMEDIATE RELEASE
 July 21, 1994

CONTACT: Ellen Dadisman
 (202) 225-8933

GIBBONS PRAISES CEO SUPPORT FOR EMPLOYER PARTNERSHIP AND UNIVERSAL COVERAGE

WASHINGTON, D.C.--House Ways and Means Committee Chairman Sam Gibbons today praised CEOs from 50 top national companies as they endorsed employer partnership in providing universal health care coverage. The executives urged Congress to act this year to address inflation, cost-shifting and the large number of uninsured citizens.

"American business needs health care reform," said Gibbons. "There's a reason 80 percent of American corporations help provide health care to their employees -- it's good business."

Gibbons pointed out that employer-employee cost sharing "simply builds on the system we have in America today that already covers 80 percent of our workers and their families."

The Ways and Means bill is financed by requiring employers to share in the cost of health insurance for their employees.

"If there is a more sensible way to pay for universal health care, I don't know what it is," Gibbons said. "I believe employer participation in universal coverage is the right thing to do. It's the smart thing to do. Let's do it."

#

THIS LIST IS EMBARGOED UNTIL 10:15 A.M. JULY 21, 1994

A & P (Great Atlantic and Pacific Tea Company)
ABB Inc.
Acme Steel
AEL Industries
American Corn Growers
American Automobile Manufacturers Association
American Iron and Steel Institute
AMR Corporation (American Airlines)
Archer Daniels Midland Company
Armco Inc.
Bethlehem Steel Corporation
Champion International Corporation
Chrysler Corporation
Drummond Company
Eagle Picher Industries
EDS
Food for Less Grocery
Ford Motor Company
Fortis, Inc.
GEC-Marconi Electronic Systems Corporation
General Motors
Giant Food
Hechinger Company
H.J. Heinz
IBM
Ingersoll-Rand Company
Inland Steel
Loral
Manpower Inc.
Maytag
McDonnell Douglas
National Steel
National Association of Chain Drug Stores
Norfolk Southern Corporation
Pella Corporation

Pioneer Hi-Bred International, Inc.

Ralphs Grocery

Rohm & Haas

Safeway, Inc.

Scott Paper Company

Southern California Edison Company

The LTV Steel Company

The Principal Financial Group

Time Warner, Inc.

United Distillers North America

USX

The Vons Companies

Westinghouse

Wisconsin Public Service Corporation

Zenith Electronic Corporation

PRESS RELEASE

LARGE CORPORATIONS RAISE VOICE FOR UNIVERSAL COVERAGE,
EMPLOYER COST SHARING

Washington, DC, July 21, 1994.

A wide and diverse group of large corporations petitioned Congress today to enact universal coverage by maintaining and extending the employer-based insurance system already in place in America.

More than one hundred and twenty companies and associations, which represent many more companies and employees, released two letters today calling for decisive action by Congress in 1994, and endorsing the twin principles of universal coverage and shared employer responsibility. The companies signing the letters employ millions of Americans and insure tens of millions, including workers, their families and former workers.

"Most American companies are already covering their workers," it was noted. "But they're also covering other companies workers too -- the companies who free load of the system". Unless everyone is insured, health care costs of the uninsured will continue to be shifted to the corporations, large and small, that do the responsible thing by covering their workers.

Not only is that not fair, it also drives the rate of inflation in the health sector, which is usually twice that of the rest of the economy. This in turn further drives up the costs of the products and services of companies covering their workers, which puts them at an unfair disadvantage domestically, when competing with companies that don't provide insurance,

and it also makes U.S. companies less competitive in the world market.

If left unchanged, the current system will cause the U.S. economy to lose millions of jobs as world competition becomes more fierce. Employers who do provide insurance will be forced to face the hard choices of continuing to be placed at a competitive disadvantage at home and abroad, or of dropping coverage altogether.

The economic and social health of our country and our people requires universal coverage. There is no other way to achieve adequate health coverage for our citizens, and to contain costs, or be fair to responsible, worker and family-friendly companies.

* * * * *

CONTACT: Jim Moody (202) 857-0670
 Chambers Associates

STATEMENT BY ANDREW H. CARD, JR.
PRESIDENT & CEO
AMERICAN AUTOMOBILE MANUFACTURERS ASSOCIATION
HEALTH REFORM PRESS CONFERENCE
THURSDAY, JULY 21, 1994

I am very pleased to be here on behalf of America's car companies -- Chrysler, Ford, and General Motors -- all of whom believe it essential that health reform legislation achieve universal coverage, with all employers sharing in the responsibility to help finance coverage for America's workers and their families.

Throughout this national debate on health reform, the focus of attention has been on the burden, or increased costs, that would be incurred by businesses that do not provide insurance coverage to their employees. Often overlooked is the burden incurred by those employers who do provide insurance coverage and pick up the slack for those that do not.

We need to remember that all health care costs must ultimately be paid by someone. When individuals do not have coverage either because their employer does not provide it, they can't afford it, or they choose not to buy it, others end up paying for it. For manufacturing firms, which generally provide comprehensive coverage to their employees and families, this burden is a heavy one. These firms pay 28 percent higher health costs due to cost-shifting from various sources.

Most American businesses provide health insurance to their employees. Last year, the three auto companies spent nearly \$6 billion in providing health coverage for 2.8 million people -- that's one out of every 90 Americans. We have moved aggressively to control our health costs, but we cannot control costs shifted to us because of those who do not pay their fair share.

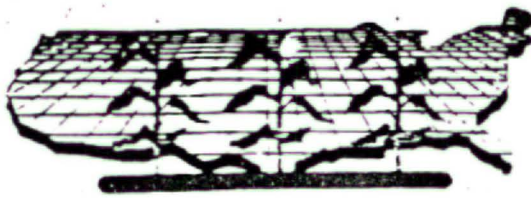
This \$6 billion burden has a very substantial impact on our companies and on the consumers of our products. Health care costs average more than \$1100 per car. High health costs mean less money for product development, new plants, and growth of high-skilled, high-wage jobs for American citizens.

As a result of high health costs, the American auto companies operate at a competitive disadvantage versus their primary competitors. The Japanese companies, for example, pay about \$500 less per vehicle in health costs. Other industrialized nations have been far more successful than the U.S. in containing overall health costs -- and in spreading the burden of paying for health care fairly throughout their economies.

Let me be very clear about where America's car companies stand in this debate. We must have reform legislation which spreads the cost of health care equitably. This will require universal coverage and shared responsibility between government, individuals, and all employers.

We cannot support legislation which fails to provide for equitable financing of universal coverage by a date certain. Nor can we support legislation, such as the Senate Finance Committee bill, which imposes substantial new taxes on businesses which now provide coverage, while allowing other businesses to keep their free ride.

We know the White House and the Congressional leaders here today see the need for universal coverage and shared responsibility the same way we do. We hope we will be able to support the legislation which ultimately emerges from each House of Congress in August.



American Corn Growers Association

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PO Box 18157
Washington, DC 20036
Phone: 202-835-0330
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President's field office:

PO Box 22994
Lincoln, NE 68542-2994
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Fax: 402-476-8859

I'm Gary Goldberg, a Kearney Nebraska Corn Farmer and President of the American Corn Growers Association, which represents large and small farming businesses.

Some say that there is no crisis in health care. In agriculture, there is, in fact, a crisis. Almost one third of all farmers are either un-insured or under-insured. This is the second most dangerous occupation in the United States. When farmers can't pay their bills, the first thing to go is insurance. Something must be done.

There is a lot of debate about what kind of health care system we should have and who should pay for it. But while the different policies are debated back and forth, the health care crisis continues for American Agriculture and Rural America.

The American Corn Growers Association believes that any health care solution must include:

- Guaranteed comprehensive health insurance benefits for all.
- 100% tax deductibility of health care costs for employers and the self-employed.
- Require that health insurance be transferable from work-place to work-place.
- Prohibit the denial of coverage for pre-existing conditions.
- require shared financial responsibility among employers, individuals and the government.

Anything less than these five items will continue to jeopardize the health of agriculture and rural America.

This is the greatest country in the world. It is also the breadbasket of the world. But if it wants to continue to have hard working men and women feed this country the tastiest, safest and least-expensive food in the world, it must develop a health care system that is workable and affordable.

AD HOC BUSINESS GROUP

ON

HEALTH CARE REFORM

Corporation Representatives Available to Speak on Health Care Reform

Company	Champion International
Name	Jeanne Connelly
Telephone	785-9888
Fax	785-3286
Company	National Association of Chain Drug Stores
Name	David Lambert
Telephone	703-549-3000
Fax	703-549-0771
Company	Safeway
Name	Represented by Henry Simmon, Mark Goldberg, Peggy Rhoades
Telephone	637-6830
Fax	637-5910
Company	Time Warner
Name	Arthur B. Sackler
Telephone	457-8582
Fax	457-8861
Company	The Great Atlantic & Pacific Tea Company
Name	Michael Rourke
Telephone	201-930-4236
Fax	201-930-4034
Company	The Principal Financial Group
Name	Stuart J. Brahs
Telephone	682-1280
Fax	682-1412

Company Chrysler
Name Wally Maher
Telephone 862-5447
Fax 862-5445

Company American Automotive Manufacturers Association
Name Mel Bass
Telephone 326-5518
Fax 326-5567

Company Ford
Name Elliott Hall
Telephone 962-5371
Fax 962-5456

Company Chambers Associates
Name Jim Moody
Telephone 857-0670
Fax 867-0668

Company Fortis, Inc
Name Carl Schramm
Telephone (21st) 637-5600
Telephone (22nd) 414-299-1272

300 by nightfall. "It's literally like a conveyor belt," Noone said as he worked. "They bring them in and we load them on the truck."

Noone said he had rented a 40-foot trailer truck to carry bodies Friday, an indication of the horrors expected ahead.

(End optional trim)

Doctors predict that the cholera, which causes severe diarrhea, vomiting and sometimes death within five hours is likely to infect 10,000 to 50,000 refugees. Untreated, half will probably die. "You cannot stop it at the moment," warned Henckaerts.

Cholera initially spreads in contaminated water, but then can be passed directly from person to person. Corpses are especially contagious, so quick burial is critical. The chief treatment for those infected is immediate rehydration with special solutions to replace lost fluids. And the only reliable prevention is chlorinated drinking water. But both the solutions and clean water are in impossible short supply.

The first air shipment of 10,000 liters of solution arrived Thursday but most had been used by nightfall. Another shipment was expected Friday, but the airport is already operating at near-capacity.

(Begin optional trim)

"We've only got one runway and you can't just pound it and pound it or you'll have to close it," said Paul Gilham, in charge of the airlift here. Moreover, only six planes can be parked and unloaded one time fewer if they are large cargo planes.

Still, relief supplies are increasing. Some 80 tons of food was distributed Thursday and 200 tons are planned for Friday. Up to 400 tons may arrive by next week. About 600 tons of food are needed each day, however.

The first truck convoy is expected late Friday or Saturday, officials said. They hope the road link from from Kampala, 420 miles away in neighboring Uganda, may open a lifeline for faster provision of supplies.

(End optional trim)

The epidemic is the latest tragedy of Rwanda's four-month civil war and slaughter that has caused an estimated 1.2 million Hutu refugees to flee for fear of retribution from victorious Tutsi-led rebels back in Rwanda.

In Washington, President Clinton said the United States was ready "to lead the United Nations in responding to the cholera problem and in dealing with the other aspects of this human catastrophe."

(Optional add end)

He ordered Anthony Lake, White House national security adviser, J. Brian Atwood, administrator of the Agency for International Development, and Pentagon officials to develop a plan for U.S. emergency relief.

Atwood said the first priority was to send water, medicine and medical equipment to help check the cholera epidemic. The Pentagon plans to use as many as 1,000 U.S. service personnel to deliver relief supplies.

"The international community has never seen anything like this," Atwood said, announcing an additional \$41.4 million in U.S. aid.

Atwood said the only long-term solution to the crisis was to persuade Rwandans still in their homes to stay there and to get refugees to return home.

Refugee camps are a misnomer. Hundreds of thousands of people simply squat by the roadside, awaiting their fate. Survivors lead bleating goats and long-horned cattle; a

few sell yams and corn by the road. Rwandan soldiers, routed by rebels, strut by in their camouflage uniforms.

Long lines of people shuffle endlessly down the road. Many carry yellow plastic jugs of water on their heads from Lake Kivu, about four miles south. Others head north to promised food distribution sites. Those who can, cover their noses with handkerchiefs, towels or surgical masks to cut the odor of death, dust and diesel fumes.

The sun, dimmed by the smoky haze, is a dull orb overhead. The refugees have stripped many of the trees for firewood.

Their countless cooking fires were the only sign of life as night fell like a shroud.

Big Business Coalition Favors Health Plan's Employer Mandate (Washn) By Robert A. Rosenblatt and Karen Tumulty= (c) 1994, Los Angeles Times=

WASHINGTON As President Clinton received a show of big business support Thursday for his proposal to make all employers provide health insurance for workers, congressional leaders sought to heal painful divisions within Democratic ranks over the scope and cost of health care reform.

House and Senate Democratic leaders met with Clinton Thursday night at the White House to brief him on their efforts to reach agreement on bills to take to the floors of their respective chambers and to discuss plans and strategy for the legislative floor fights to come.

After the White House session with the president and first lady Hillary Rodham Clinton, the congressional leaders proclaimed a "new spirit" of agreement but offered no new details to back up that claim.

The bills that House Majority Leader Richard A. Gephardt, D-Mo., and Senate Majority Leader George J. Mitchell, D-Maine, plan to present, probably next week, will pursue Clinton's goal of universal coverage but will be "less bureaucratic, more voluntary and phased in over a longer period of time" than Clinton's original proposal from last year, Mitchell said, echoing statements that Clinton and his top aides have been making for several weeks.

Earlier in the day, a coalition of 50 of America's largest corporate employers endorsed the "employer mandate" that has emerged as the biggest single stumbling block to passage of Clinton's health plan.

The coalition, whose membership includes the Big Three automakers, Bethlehem Steel, Safeway and Manpower Inc., warned that if Congress fails to enact a major health measure this year, "it is unlikely to have another chance at comprehensive reform in this century." Many of the individual companies have been longtime supporters of the mandate.

With House and Senate leaders wrangling over final details of their own health care bills, the big business endorsement was offered to counter recent indications the president has failed in efforts to recruit any significant business backing for his reform plan.

The bills being negotiated behind closed doors by congressional Democrats will provide the components of the blueprint that Clinton and his party will take to the final battle over the legislation.

In both houses, Democratic leaders spent much of Thursday plotting their strategy for bringing health bills to their respective floors.

In the House, Speaker Thomas S. Foley, D-Wash., presented crucial committee chairmen with a complicated compromise proposal. He hoped the plan would end a nasty squabble over jurisdiction that has prevented any progress

from being made on other substantive issues this week.

Foley and House Majority Leader Richard A. Gephardt, D-Mo., plan to use a bill written by the Ways and Means Committee as the vehicle from which they will build the legislation they will take to the floor.

(Begin optional trim)

However, that plan drew objections from the chairmen and subcommittee chairmen of the other two committees with jurisdiction over the health issue: the Education and Labor Committee and the Energy and Commerce Committee in large part because doing so would remove much of their influence over health-related issues in the future.

The heated intramural battle has set back by several days the effort to put together a bill to take to the floor. "The problem is that we have nothing to sell yet. We thought by now we'd be two weeks into the selling job," said one member of the House Democratic leadership.

Even when Democratic leaders satisfy their fractious committee chairmen, they will face the ultimate battle on the floor of the House and the Senate, trying to assemble a majority for the controversial core of the president's plan: a new federal law requiring employers to provide health insurance for all workers.

(End optional trim)

Major business organizations such as the U.S. Chamber of Commerce, the National Association of Manufacturers and the Business Roundtable have decided the employer mandate for health insurance is a new and costly intrusion of government into business. They refused to accept it, despite promises from the president that the reforms would slow down the rapid increase in cost of health care, and that smaller companies with low-wage workers would be given financial subsidies to offset the effect of the new mandate.

And many individual companies once enrolled on the president's side are now having second thoughts. On Monday, a corporate coalition of 21 firms including General Electric, Pacific Telesis, DuPont, Atlantic Richfield, McDonnell Douglas and U.S. West, all early supporters of health reform, sent Clinton a letter with a blunt warning that they could never back any legislation giving states the power to design independent health care structures.

These companies which now operate throughout the country with a standard package of benefits set by management, are fearful they would be confronted with a new patchwork of rules and varying benefits in different states.

Eager to show they still have some corporate allies, the administration and congressional Democrats arranged a news conference Thursday by an ad hoc coalition of 50 firms that have been strong supporters of the mandate because they already provide generous health benefits to their workers.

(Optional add end)

Chrysler, Ford and General Motors spent nearly \$6 billion last year to provide health insurance for 2.8 million people, workers, retirees and dependents, said Andrew Card, president of the American Automobile Manufacturers Association.

"We have moved aggressively to control our health costs, but we cannot control health costs shifted to us because of those who do not pay their fair share," Card, a former U.S. Transportation secretary, said at the news

conference.

Steve Burd, chief executive officer of Safeway, said his company competes "with some very large companies that don't offer the same kind of coverage." If health reform doesn't pass with the employer mandate, Safeway might be forced to curtail its coverage "to level the playing field," Burd said.

Administration business supporters are in a distinct minority. At another news conference on Thursday, Herman Cain, the president of Godfather's Pizza and the National Restaurant Association, denounced mandates as a new form of tax that would wipe out jobs. "Mandate, mandate, any way you say it, we oppose it," he said.

endit

Republicans Look Forward to Fall Elections (Los Angeles) By Cathleen Decker= (c) 1994, Los Angeles Times=

LOS ANGELES Against a backdrop of increasing dissension by moderate Republican leaders, the national Republican hierarchy gathered in Los Angeles Thursday intent on burying its nascent problems and celebrating an increasing optimism about the party's prospects this November.

Republican National Committee chairman Haley Barbour, speaking to reporters as the twice-yearly gathering began, sent a strong signal to his GOP brethren to keep their attention riveted on 1994 and leave until later any contentious battles over ideology.

"The focus has to be on 1994," he said. "The best thing that we can do to elect a Republican President in 1996 is to have a big Republican victory in 1994. ... We'll worry about 1996 and all that after Nov. 8."

Republican prospects, indeed, are far sunnier now than might have been imagined after the party's thundering losses in 1992, which saw the election of the first Democratic president in 12 years and sweeps by the perennially losing Democrats in many states.

Barbour estimated that 175 House seats, out of a total of 435, are up for grabs this year, and he said that the current Democratic majorities in the House and Senate are threatened. He said he believes that Republicans could walk away with more seats than they have held in more than a generation.

"I think it is reasonable to expect that we may be able to put together working control, working majorities in the House on many issues," Barbour said. He added that while it is conceivable that Republicans could win an outright majority, such an outcome was unlikely.

In the Senate, where the retirement of several Democrats has opened up more balanced battles than could have been predicted, Republicans would have to gain seven seats to take control. "That is uphill but it is not nearly as uphill as it was in the beginning of the year," Barbour said.

The Republicans, however, are not without their own problems, which Barbour and other GOP leaders hope to discuss only minimally during the three-day Los Angeles meeting.

Moderate Republicans have been grumbling about the growing prominence of religious conservatives. So far, most of the discontent has surfaced in disputes about the party's anti-abortion stance. In recent weeks two Republican governors California's Pete Wilson and Christine Todd Whitman of New Jersey have called for the deletion of the anti-abortion plank in the GOP's 1996 platform.

Barbour, clearly seeking to avoid any intra-party

PIZZA HUT

No Matter How You Slice It...

Pizza Hut Does Not Deliver The Same Health Benefits In America As It Does in Germany and Japan



PIZZA HUT PAYS FOR HEALTH INSURANCE BENEFITS FOR THEIR WORKERS IN GERMANY AND JAPAN, BUT FOR MANY HOURLY RESTAURANT EMPLOYEES IN AMERICA, PIZZA HUT PAYS NO HEALTH INSURANCE. Zero. Meanwhile Pizza Hut, a division of PepsiCo, one of America's largest corporations, made \$372 million in profits worldwide last year.

In the United States, Pizza Hut's hourly employees must pay the full cost of health insurance for six months before Pizza Hut will make any contribution—and then the contribution is only for additional coverage, not the basic plan.

Pizza Hut says that 71% of its hourly employees have coverage from other sources, 15% have no coverage, and only 14% avail themselves of the company plan.

That's why America needs health reform. Because hugely profitable American companies like Pizza Hut don't pay to cover many of their employees in the United States, and that forces other businesses and families that have health insurance to pay more for theirs.

Today, working Americans lose out. In Germany and Japan, every company, including American firms is required to pay for health insurance—and almost everyone who works is covered. But in America, Pizza Hut and some other big corporations get a free ride and leave many of their hourly employees out in the cold.

Now some large companies are lobbying Congress to kill health insurance at work. PepsiCo even told Congress that if they had to cover all of their employees, it would "reduce employment opportunity...by tens of thousands of jobs." Yet, the real story is that Pizza Hut is expanding rapidly in Germany and Japan where they pay for health insurance and sell lots of pizzas at the same time. Pizza Hut's real message to Congress is: do as we say, not as we do overseas.

It's time American workers get a slice of the pie. Every American deserves health coverage at work. So pick up your phone and place your order with Congress. Tell them to side with American workers, not big companies that pay for better health benefits overseas. Ask them to guarantee every American health insurance at work.

If Pizza Hut Wins, American Workers Lose

Paid for by the Health Care Reform Project
For more information call 202-783-6323



For Immediate Release
July 15, 1994

Contact: Mark Johnson
202-289-5900

**HEALTH CARE
REFORM PROJECT**

**THE VOICE OF
AMERICANS FOR
CHANGE, NOW.**

REPORT:

**PROMINENT U.S. OPPONENTS OF SHARED RESPONSIBILITY
PAY FOR EMPLOYEE COVERAGE OVERSEAS
AND THRIVE -- DESPITE CLAIMS MADE TO CONGRESS**

WASHINGTON -- Some of the most visible opponents of employer-employee shared responsibility for health care financing -- companies that pay little or nothing to cover many of their hourly employees -- not only pay to cover comparable employees overseas but are achieving tremendous business success in these foreign markets, a report released today by the Health Care Reform Project shows.

The report cites PepsiCo's Pizza Hut subsidiary and McDonald's as two very profitable companies that have lobbied hard against the mandate, claiming it would impose dire financial burdens and job losses in the United States if enacted by Congress. For example, David Scherb, PepsiCo's vice president for compensation, told the House Ways & Means Committee in December that a mandate would cost "tens of thousands" of job opportunities at his company.

Yet, as the report confirms, Pizza Hut is tremendously successful and employment is on the rise within the company in Germany and Japan. The same is true for McDonald's in these countries, plus Belgium and The Netherlands. All four countries cited in the report have some version of shared responsibility to pay for health coverage.

"These companies [Pizza Hut and McDonald's] are living proof that shared responsibility works for employers and employees, and as a means for a nation to achieve universal coverage," the report says. "But instead of applying their successful experiences abroad to the United States, these companies have effectively said to Congress and the American people: Do as we say, not as we do overseas."

The report was based on extensive research of corporate financial reports and other public data, plus interviews with company personnel and staff at foreign government offices. It cites specific figures for each company and country included in the report.

For example, the report notes that Pizza Hut, which earned a net profit last year of \$372 million worldwide, "does not contribute to health insurance for many of its hourly restaurant workers in the United States." The company does make a group insurance plan available to these hourly workers, but employees are required to pay the full amount. After six months, the company will contribute to the cost of added coverage, but the basic plan is still entirely the responsibility of the employee.

By contrast, in Germany, Pizza Hut is required to pay 50% of its employees' premiums. As of 1991, there were 64 Pizza Hut restaurants in Germany with revenues of \$39 million and 2,100 employees. In Japan, Pizza Hut is required to pay 50% of the premiums for employees who work at least 30 hours per week (most do) at any of the company's 65 Japanese restaurants. Japan is such a strong market for Pizza Hut that the company, in 1992, publicly stated its intention to boost the total number of Pizza Huts in Japan by more than 300 percent within five years. And while the company does not disclose country-specific results, it has said that international sales "posted double-digit growth" in 1993.

McDonald's does not cover hourly or part-time workers at its U.S. restaurants. However, McDonald's does pay for coverage for its workers in Belgium, Germany, Japan and The Netherlands, as the laws in these countries require.

McDonald's is tremendously successful overseas. For example, "Germany is one of McDonald's' six largest markets," the report says. It had 27,000 employees there in 1992 with revenues of nearly \$1 billion. Likewise, in The Netherlands, McDonald's now has 100 stores, a 17.6% increase over last year. In Japan, the number of McDonald's restaurants (1,048) has increased 8% since 1993.

"Clearly, McDonald's is having no trouble selling its burgers overseas even though it pays for health insurance," the report concludes.

PepsiCo/Pizza Hut and McDonald's were chosen for this study because both sit on the steering committee of the Healthcare Equity Action League (HEAL), a coalition that opposes the mandate, and because they have operations in countries with mandates and thus are qualified for comparison.

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**HEALTH CARE
REFORM PROJECT**

**THE VOICE OF
AMERICANS FOR
CHANGE, NOW.**

Post-it® Fax Note	7671	Date	7/19	# of pages	3
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Co./Dept.	F.I.I.	Co.			
Phone #		Phone #			
Fax #	456-6-85	Fax #			

FOR IMMEDIATE RELEASE
July 19, 1994

Contact: Mark Johnson 202/289-5900

Project Delivers Pizzas to Congress; Holds 20 Events at Pizza Huts Nationwide

Pizza Hut's Prediction of '\$19 Pizzas' Rebuffed

Washington, D.C. — The Health Care Reform Project today escalated its campaign in support of shared responsibility with a continued focus on Pizza Hut, a company that pays for its workers' health insurance overseas while denying insurance to many American workers.

Today at Pizza Hut restaurants in 25 states the Project staged demonstrations to focus on Pizza Hut's hypocrisy and turn up the pressure on key members of Congress who do not yet support shared employer-employee responsibility. The Project has sharpened its message to Congress, telling Members to stand with American workers instead of companies that give better health benefits to their foreign workers.

Meanwhile in Washington, Project volunteers delivered Pizza Hut pizzas at lunchtime today to 50 congressional offices, topped with a message to support shared responsibility.

The Project also issued an analysis of Pizza Hut's claim that it would be forced to raise the price of a Pizza to \$19 or even \$25 if it had to pay for health care benefits for its American employees like it pays for many of its foreign employees.

"First, Pizza Hut hired an army of lawyers to accuse us of libel and to intimidate TV stations into not running our ad last week," said Bob Chlopak, a consultant to the Project and author of the report. "Now Pizza Hut is trying to scare consumers by making outlandish claims about the price of pizza under an employer mandate. The fact is that Pizza Hut is slicing up the truth in order to justify cutting out American workers from their health insurance pie."

Below are the major responses Pizza Hut has made to the Project report followed by the Project's factual responses:

1. Pizza Hut says: "To cover the costs of mandated health care and other benefits, we are forced to raise the prices of our pizzas. In Germany we charge \$19 for a pizza that costs \$11 in the U.S. In Japan, we charge \$25." (Pizza Hut's ad, Wichita Eagle, July 18, 1994).

The fact is virtually everything costs more in Germany and Japan than in the U.S. But the claim that Pizza Hut will have to raise pizza prices from \$11 to \$19 or \$25 to pay for health insurance has no basis in fact. Indeed, PepsiCo's own numbers show these estimates to be 20-35 times greater than the actual increase needed. It's VP for Compensation told the Ways and Means Committee that labor costs at its restaurants amount to about 30% of sales. Under the Kennedy bill, as one example, health insurance costs for a large employer in a low wage business could not exceed 12% of payroll. Thus, to recover the increase costs for health insurance, Pizza Hut would only need to raise prices by 30% of 12% or 3.6%. On an \$11 pizza, the increase is just \$.40. The \$8 and \$14 increases suggested by Pizza Hut are 20-35 times this amount.

2. Pizza Hut says: "We offer health insurance to all of our employees in the U.S., full-time and part-time. And we share the costs of that insurance with them." (Pizza Hut's ad, Wichita Eagle, July 18, 1994).

The fact is that Pizza Hut repeatedly has tried to blur the difference between "offering" insurance and "paying" for it. The claim that Pizza Hut shares the cost for all employees including part-timers is totally false. PepsiCo's study included in its Ways and Means testimony says that only 14% of hourly restaurant workers at Pizza Hut participate in the insurance program, largely because they have to pay 100% of the cost. Pizza Hut's own health insurance plan description and its lawyers' letter to the Project make clear that the company contributes to health insurance for these employees only after they have paid 100% of its cost for six consecutive months. Then the company pays for added coverage if the employee continues to pay 100% of the cost for basic coverage. The bottom line: only 14% of hourly restaurant employees participate in the Pizza Hut insurance program and many fewer, given the 150% annual turnover in employment, get a contribution from Pizza Hut for their insurance.

3. Pizza Hut says growth in Germany has been stagnant and that only 240 jobs have been created in five years. (AP story, 7/15/94, by Christopher Connell). Pizza Hut's ad also implies that employer mandates are the cause of higher unemployment rates in Germany.

The fact is, according to the Hoppenstedt Companies and Executives in Germany, a respected compendium of information on businesses, employment at Pizza Hut in Germany increased by 400 employees from

1992 to 1993, an increase of 23.4%. In Japan, Pizza Hut has forecast a 3 1/2 fold increase in the number of stores in five years. Clearly, the employer mandate in Germany and Japan is not restraining Pizza Hut's foreign growth. Indeed, Pizza Hut's growth and success under the mandate proves the opposite of their argument: that they can provide health insurance, provide more jobs and thrive all at the same time.

4. Pizza Hut says the Project changed the ad because the script released last Friday differed from one that allegedly said Pizza Hut "did not offer insurance or pay for insurance for any of our employees. (New York Times, 7/16/94)

The fact is there is only 1 script and spot and it has not been changed. Pizza Hut has produced no evidence to the contrary. Now that Pizza Hut's attempt to the intimidate the Project and local TV stations has been exposed, the company appears to backing off their original claims that the ad was false and libelous. Now they're claiming that our ads are misleading or bogus, while still providing no documentation to support their charges.

5. Pizza Hut says that company surveys show that 70% of its restaurant workers already have health insurance from other sources. "Therefore, to state or imply that most Pizza Hut employees want, seek or need health insurance... is false and misleading." (Letter from Pizza Hut lawyers to the Project, July 14, 1994)

The fact is that, by not paying for insurance for all of its employees, Pizza Hut is responsible for massive cost-shifting, making other employers and families pay the cost of insurance for Pizza Hut employees. Again, using PepsiCo's own survey and plan description, fewer than 14% of Pizza Hut hourly employees have health insurance to which Pizza Hut contributes. That means the rest of us with health insurance pay to cover over 86% of its hourly employees through cost-shifting and uncompensated care. With upwards of 100,000 hourly employees in the United States, Pizza Hut is shifting a huge burden onto other businesses and families. The fact that everyone else is picking up Pizza Hut's tab is hardly a justification for the company to shirk its responsibility.

##

**HEALTH CARE
REFORM PROJECT**

Pizza Hut actions are scheduled this week in the cities listed below.

**THE VOICE OF
AMERICANS FOR
CHANGE, NOW.**

Tuesday, July 19

Minneapolis, MN 12:00 noon
Pizza Hut at 1301 University Avenue

Cranston, RI Noon
Pizza Hut at 1112 Reservoir Ave.

Middletown, CT 12:30pm
Pizza Hut at 595 Washington Street

Albany, NY Noon
Pizza Hut at 954-960 Central Ave.

Omaha, NE 11:30am
Pizza Hut at 7515 Pacific St.

Trenton, NJ Noon
Pizza Hut at John Fitch Plaza

Kenosha, WI 11:30
Pizza Hut at 4608 75th Street

Manhattan 11:00 am
Pizza Hut at 162 West 34th Street

Staten Island 12:00 noon
Pizza Hut at 2720 Hylan Blvd

Wednesday, July 20

Austin, Texas
Location TBD

Dallas, Texas
Location TBD

Baton Rouge, LA 12:00 noon
Pizza Hut at 3347 Highland Road (close to LSU)

Page 2 of Pizza Hut events

Thursday or Friday July 21 or 22.

Wichita, KS
Location TBD

Indianapolis, IN
Location TBD

St. Louis, MO
Location TBD

Madison, WI
Location TBD

Portland, OR
The Pizza Hut information will be a part of a Radio call-in show.

Chicago, IL
Location TBD

Birmingham, AL
Location TBD

Atlanta, GA
Location TBD

Syracuse, NY
Location TBD

Do As We Say, Not As We Do

**How Pizza Hut and McDonald's Fight
Shared Responsibility in Congress
While Paying For Better Health Insurance Overseas**

**The Health Care Reform Project
July 1994**

Do As We Say, Not As We Do:

How Pizza Hut and McDonald's Fight Shared Responsibility in Congress While Paying For Better Health Insurance Overseas

Introduction

As health care reform legislation moves to the floor of the House and Senate, one of the most significant unresolved issues is the financing mechanism to achieve universal coverage. Shared responsibility -- the requirement that employers and employees each contribute to the cost of health insurance -- is included in three of the four congressional bills.

Public support for shared responsibility remains very high. Coincidentally, just as three of four committees approved shared responsibility, the latest polls show that Americans support the idea by roughly the same margin -- 72% in an *ABC News/Washington Post* poll released June 27. Nevertheless, opponents of shared responsibility like the National Federation of Independent Business (NFIB) have skillfully generated opposition in Congress despite having no success in moving public opinion. Both the House and Senate are expected to have close votes on shared responsibility in the coming weeks.

This report takes a fresh look at the concept of shared responsibility. Despite all of the congressional hearings, months of debate, and examination by the press and academics, one critical chapter in the story of shared responsibility has been overlooked. As this report reveals, some American companies that don't pay for coverage for many of their workers in the United States already contribute to health insurance for comparable workers overseas under shared responsibility systems similar to those approved by congressional committees. Moreover, these companies have opposed shared responsibility throughout the health care debate. They have argued, including in testimony to Congress, that shared responsibility would stifle their growth

and lead to job layoffs in the United States, but they are rapidly expanding their foreign operations and contributing to health insurance at the same time.

Ironically, these companies are living proof that shared responsibility works for employers and employees, and as a means for a nation to achieve universal coverage. But instead of applying their successful experiences abroad to the United States, these companies have effectively said to Congress and the American people: do as we say, not as we do overseas.

This report is a case study of two companies that practice a double standard when it comes to contributing to health insurance: Pizza Hut, a division of PepsiCo, and McDonald's. Though these are the only companies the Project examined in detail, there are hundreds of American companies doing business in the same four countries included in this report where shared responsibility is the law: 449 in Belgium; 805 in Germany; 660 in Japan; and 492 in The Netherlands, according to the *Directory of American Firms Operating in Foreign Countries*. This is not to suggest that all or any of these firms practice a double standard like Pizza Hut and McDonald's. But these numbers do raise an interesting dilemma for some in Congress. By voting against shared responsibility, members of Congress would risk denying American workers benefits that comparable foreign workers at hundreds of the same U.S. companies already get.

Two further points deserve consideration. The major arguments against shared responsibility have centered on alleged adverse impacts on small businesses. But this report reveals that some very large companies do not pay for health insurance coverage for many of their hourly employees. Consequently, members of Congress who vote against all forms of shared responsibility, including proposals that exempt or phase in requirements for small employers, would be siding with these giant companies at the expense of their middle and low income workers.

Finally, it is worth noting that two of the countries that require shared responsibility -- Germany and Japan -- are America's major economic competitors, so any suggestion that shared responsibility would undermine America's international competitiveness is specious, at best. German and Japanese businesses manage to maintain their competitive edges while paying for health insurance. Perhaps, more importantly, many American businesses

operating in Germany and Japan are competitive and also provide health insurance.

The Report

For this report, we have concentrated on four countries with employer-based health care systems much as the President and others in Congress have proposed. These countries are Belgium, Germany, Japan and The Netherlands. Their universal health care policies are described in the Appendix. Employers in three of these countries must contribute to their employees' health insurance premiums, including part time workers. In Japan, contributions are required for any employee working at least three quarter time.

PepsiCo/Pizza Hut and McDonald's were chosen for this study because both sit on the steering committee of the Healthcare Equity Action League (HEAL), a coalition that includes some large companies opposed to the mandate. In addition, both PepsiCo and McDonald's have operations in at least two of the countries that have employer mandates. PepsiCo also has been an outspoken critic of shared responsibility.

Pizza Hut

Pizza Hut, a division of PepsiCo, operates approximately 4,720 restaurants in the United States.¹ The company does not contribute to health insurance for many of its hourly restaurant workers in the United States. Pizza Hut does make a group insurance plan available to these hourly employees but, as the Med Plus plan offered by Pizza Hut to these employees states, "employee contributions are required for the full amount of the premiums."² In addition, Project researchers placed several calls to Pizza Hut's health insurance hot

¹ PepsiCo's 10K filed with the SEC, 3/23/94, page 2.

² Pizza Hut Summary Plan Description, "Your Guide to Great Benefits," Med Plus Program, page 11. Pizza Hut also offers an accident only plan, Accident 5000 Program, which also requires the employee to pay 100%.

line and received additional confirmation.³ Only after an hourly employee has paid the full cost of health insurance for six months and only if this employee continues to pay 100 % of the basic coverage, does Pizza Hut contribute. At that point, the company pays for higher maximum limits on coverage.⁴

Pizza Hut operates 775 restaurants and has 420 joint ventures outside the United States including subsidiaries in Germany⁵ and major investments in Pizza Hut Japan.⁶ Pizza Hut does pay health insurance for hourly or part-time workers at its German and Japanese restaurants without the same limitations that apply in the United States. (See the Appendix for a complete description of the health care policies in these countries).

In Germany, Pizza Hut is required to pay 50% of its employees' premiums.⁷ Premiums are tied to income so employers pay the same percentage, though a smaller amount, for part-time employees. In Japan, Pizza Hut is required to pay 50% of the premiums for employees who work at least 30 hours per week.⁸ The Project made several inquiries to determine the scheduling routine for Pizza Hut employees in Japan. Eventually, Project researchers were directed to an executive of Pizza Hut America working in Japan who stated that the majority of Pizza Hut's part-time employees in Japan work more than 30 hours per week.⁹ Therefore, most Pizza Hut workers in Japan receive health insurance at work and Pizza Hut pays 50% of their premiums.

In Germany, the subsidiary is known as Pizza Hut Restaurations GmbH. There were 64 Pizza Hut restaurants in Germany, employing 2,100 people with revenues of DM 64.8 Mio (over \$39 million¹⁰) in 1991, the last year for

³ These conversations confirmed that hourly workers leaving Pizza Hut and moving onto COBRA would not have an increase in their premiums because they are already paying the entire cost of the insurance plan. Conversation with Tracy Timmerman at Pizza Hut's hotline, 1-800-998-PHUT. First call was placed at 8:40 a.m. on 6/23/94. Second call was placed at 4:45 p.m. and the same response was given by Lachelle Bowen.

⁴ Letter from Michael S. Horne of Covington & Burling's DC office, Pizza Hut's attorneys. Received by fax 7/14/94.

⁵ PepsiCo's 10K filed with the SEC, 3/23/94, page 2.

⁶ Copyright 1994 W/D Partners, Worldscoop, Kentucky Fried Chicken Japan Ltd.

⁷ Graig, Laurene A., Health of Nations: An International Perspective on U.S. Health Reform. Second Edition, 1993 (Washington, D.C.: Congressional Quarterly Inc.), page 96.

⁸ Japan Economic Institute (JEI) Report, 10/15/93, page 10.

⁹ Conversation with Bill Stasiewicz in Tokyo, Pizza Hut America, Public Affairs Representative, 7/3/94.

¹⁰ The average annual exchange rate for 1991 was 1.6610 marks to the dollar.

which figures are available.¹¹ Pizza Hut does not disclose how many of its restaurants in Germany are company owned versus franchises.

In Japan, PepsiCo has a joint venture with Pizza Hut Japan through its Kentucky Fried Chicken subsidiary. PepsiCo is KFC Japan's largest shareholder, with 30.53 percent of the outstanding stock.¹² In 1992 KFC Japan signed a contract with PepsiCo Food Services International that gives the company exclusive rights to operate the Pizza Hut chain in Japan.¹³ There are 65 Pizza Hut outlets and 1,100 Kentucky Fried Chicken restaurants in Japan.¹⁴ In October 1992, press reports indicated that the ratio of company-owned stores to franchises was about equally divided: 16 owned and 17 franchises at that time.¹⁵

PepsiCo and its Pizza Hut subsidiary clearly can afford to pay for their workers' health insurance. Last year Pizza Hut earned \$372 million in profits, an 11% increase over 1992 on sales of \$4.1 billion.¹⁶ Its parent company is the 15th largest industrial corporation¹⁷ and earned profits of \$3.077 billion in 1993, a 23% increase over the prior year.¹⁸ Pizza Hut does not report sales and profits by country, but they do report that international sales "posted double-digit growth."¹⁹ And, PepsiCo paid its CEO, Wayne D. Calloway, \$2,986,324 last year.²⁰

In addition to Pizza Hut, PepsiCo owns and operates a number of food chains including Taco Bell (worldwide profits of \$253 million), Kentucky Fried Chicken (\$153 million) and California Pizza Kitchen (NA).²¹

On the other hand, the cost of health insurance to Pizza Hut workers who elect it is a heavy burden, even though the coverage itself could best be

¹¹ Copyright 1994 Hoppenstedt Wirtschaftsdatenbank GmbH, Hoppenstedt Companies and Executives in Germany, Pizza Hut Restaurations - GmbH and Co. KG.

¹² Copyright 1994 W/D Partners, Worldscope, Kentucky Fried Chicken Japan Ltd.

¹³ "KFC Japan to Operate Pizza Hut Restaurants," Jiji Press Ticker Service, 10/29/92.

¹⁴ Conversation with Richard Detwiler, Director of Public Relations, PepsiCo, Purchase, N.Y., 6/22/94.

¹⁵ Jiji Press Ticker Service, 10/29/92.

¹⁶ PepsiCo 10K, page 20.

¹⁷ Rand McNally 1994 Commercial Atlas and Marketing Guide, 125th edition, page 48.

¹⁸ PepsiCo 1993 Annual Report, page 1.

¹⁹ PepsiCo 10K, page 20.

²⁰ Copyright 1994, Disclosure Incorporated. PepsiCo Inc., Number P340600000.

²¹ PepsiCo 10K, page 20.

described as bare bones.²² David E. Scherb, PepsiCo's Vice President for Compensation, told Congress that employees pay an average of \$600 a year for a single person, and about \$1,300 for family coverage.²³ Later, Scherb testified that an average worker in their restaurants is single and works 22 hours per week at \$5 per hour.²⁴ At an annual salary of \$5,500, Pizza Hut workers pay 11% of their compensation for health insurance.²⁵

However, most of the cost of covering Pizza Hut's part-time workers falls on other employers and their employees who pay to cover Pizza Hut workers through family coverage, or through cost shifting for uncompensated care. In his testimony, Scherb cited a survey which found that 71% of Pizza Hut's hourly employees had coverage elsewhere, and 15% declined insurance for cost reasons or said they did not need insurance. Thus, only 14% of the company's hourly employees are covered by a Pizza Hut policy, which the employees pay for entirely on their own for the first six months.²⁶

PepsiCo's opposition to shared responsibility is a well established fact. The company sits on the steering committee of the Healthcare Equity Action League (HEAL), an organization that contends "employer mandates are unacceptable" in its goals statement.²⁷ HEAL also released a study comparing five different health proposals in which they claimed that the Clinton plan would "translate into \$27.6 billion in lost compensation."²⁸

A PepsiCo executive has testified before the Ways and Means Committee against shared responsibility²⁹ and press reports state the company has

²² Pizza Hut's MedPlus Program [page 4] pays 50% of medical expenses up to a limit of \$20,000. After 6 months of continuous employment, the coverage expands to also cover 100% of reasonable and customary charges for eligible expenses up to \$100,000 (\$80,000 lifetime maximum benefit). The company also offers an accident only policy (see #2) that provides even less coverage.

²³ Testimony of David E. Scherb, PepsiCo VP for Compensation, before House Ways and Means Committee, 12/15/93.

²⁴ Ibid.

²⁵ Annual salary of \$5,500 divided by \$600 (estimated cost of health coverage) equals 10.9% of salary. Annual salary computed by multiplying \$5 per hour times 22 hours per week times 50 weeks.

²⁶ Scherb Testimony, 12/15/93.

²⁷ Healthcare Equity Action League, Goals and steering committee members list, 2/14/94.

²⁸ Healthcare Equity Action League, "Clinton Health Plan Trades Away Jobs," News Release, 4/14/94.

²⁹ Scherb testimony, 12/15/93

I wonder if these are the largest →
formed an ad-hoc group to battle this provision.³⁰ Press reports also indicate the company has been instrumental in assisting the National Federation of Independent Business, a small business coalition that has spearheaded anti-mandate lobbying. This relationship serves PepsiCo's political interest by reinforcing the impression that opponents of shared responsibility are exclusively small businesses.³¹

PepsiCo even included its opposition to this provision in its 10K filing with the FEC, writing: "PepsiCo is opposed to proposals that replace the competitive marketplace with a government-run healthcare system and employer mandates."³² The document does not mention that the company already operates under shared responsibility requirements in other countries.

Most interesting, though, are the claims in PepsiCo's Congressional testimony. Scherb told Congress that shared responsibility in the United States "will reduce employment opportunity at PepsiCo by tens of thousands of jobs."³³ Scherb later elaborated on a litany of steps PepsiCo would probably take if Congress enacted a mandate including automation, reducing labor intensity, and raising the hurdles for capital investment and expansion.³⁴ The clear implication of Scherb's testimony was that shared responsibility would eliminate jobs and hurt the economy.

However, a year before making these claims to Congress, Kentucky Fried Chicken Japan Ltd., which runs the Pizza Huts in Japan, publicly stated its plans to boost the total number of Pizza Hut shops in Japan to 150 in five years, more than a three and a half fold increase.³⁵ Similarly, Pizza Hut's revenues in Germany between 1989 and 1991 grew 38.4% from \$28 million to \$39 million. Furthermore, the number of employees increased 23.4%, from 1,700 employees in 1992 to 2,100 in 1993.³⁶ Clearly, if PepsiCo has already adopted the mitigation measures in Japan which they told Congress would be needed in the United States, these steps have not impeded the company's

³⁰ "Same Players, New Teams in Health Debate," The National Journal, 1/1/94, page 24.

³¹ "Burger, Fries -- and Insurance?" The National Journal, 4/16/94, page 886.

³² PepsiCo 10K, page 9.

³³ Scherb Testimony, 12/15/93.

³⁴ Ibid.

³⁵ "KFC Japan To Operate Pizza Hut Restaurants," Jiji Press Ltd., 10/29/92. PepsiCo had 33 restaurants at the time, so 150 more equals a three and a half fold increase in 5 years.

³⁶ Hoppenstadt Companies and Executives in Germany. Dollars calculated using annual average exchange rates of 1.6610 for 1991 and 1.8808 for 1989.

growth. Alternatively, if they haven't adopted these measures in Japan, there is solid evidence to suggest that they won't be needed in the United States under shared responsibility either.

Pizza Hut At A Glance

Profits Worldwide	\$372 million (+11%)
Sales Worldwide	\$4.1 billion (+15%)
Stores in Germany	64
Stores in Japan	65
CEO Compensation (PepsiCo)	\$3.0 million

McDonald's

McDonald's does not cover hourly or part-time workers at its U.S. restaurants.³⁷ However, like Pizza Hut, McDonald's does cover hourly or part-time workers at their stores in Belgium, Germany, Japan and The Netherlands, as the laws in these countries require. (See the Appendix for a description of country requirements.) Three of these countries require employer contributions even for part time workers.³⁸ As noted earlier, Japan requires employer contributions for all employees working more than 30 hours per week, a schedule that applies to many McDonald's employees.³⁹

³⁷ Based on field reports and confirmed in a telephone conversation with Linda Hadraba, Benefits Administrator, Benefits and Compensation Department, McDonald's, 6/29/94. McDonald's only makes contributions for full time employees with management responsibility, defined as those working at least 35 hours per week.

³⁸ See the Appendix for information and full documentation on the policies of Belgium, Germany, Japan, and The Netherlands.

³⁹ Conversation with Akito Tsutsumi, Personnel Department, McDonald's Japan, Tokyo, Japan, 7/7/94.

Little detail is available on McDonald's Belgium operation, but reports do indicate that the subsidiary has excellent sales on a local currency basis.⁴⁰

Germany is one of McDonald's six largest markets.⁴¹ McDonald's Deutschland Inc. reports 27,000 employees with 1992 revenues of \$943,955,000.⁴² There are 501 McDonald's outlets in Germany currently, which reflects a 13.7% increase over existing facilities one year ago (440 restaurants).⁴³ Clearly, McDonald's is having no trouble selling its burgers in Germany, even though it provides health insurance.

McDonald's has 100 restaurants in The Netherlands, a 17.6% increase over the 85 stores it had last year.⁴⁴

In Japan, there are 1,048 McDonald's, an increase of 8% since 1993 (970 stores).⁴⁵

McDonald's does not report franchises and company-owned stores by country, but there is evidence that a substantial number of stores outside of the United States are company-owned. McDonald's 10Q filing reports that the company owned over one quarter of its stores overseas: 1,283 versus 2,258 franchises and 1,254 affiliates.⁴⁶

Like Pizza Hut, McDonald's can well afford to pay for health insurance for their American workers. McDonald's is the world's largest food service organization.⁴⁷ The company ranks 21st in the United States among retailing companies.⁴⁸ McDonald's reported worldwide profits of \$1.083 billion on worldwide sales of \$23.587 billion in 1992, including over \$9 billion in sales from overseas operations.⁴⁹ The company reported a 6% growth in

⁴⁰ McDonald's 10K filed with the SEC 3/29/94, page 21.

⁴¹ Ibid.

⁴² Copyright 1994 Graham and Trotman Limited, Company Intelligence, McDonald's Deutschland Inc.

⁴³ "Management Perspectives on 1994 Reported Results and Business Prospects," McDonald's Investor Release, 4/21/94, page 6.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ McDonald's 10Q filed with SEC 5/10/94, page 11.

⁴⁷ Hoover's Handbook of America's Business 1994, page 746.

⁴⁸ Rand McNally 1994 Commercial Atlas and Marketing Guide, 125th edition.

⁴⁹ McDonald's 10K Filing with the SEC, page 10.

performance for the first quarter for 1994, and its international operations are up a little higher at 9%.⁵⁰ McDonald's pays its CEO, Michael Quinlan \$2,079, 176.⁵¹

McDonald's is also a steering committee member of HEAL, one of the leading opponents of shared responsibility, which has alleged that the employer mandate would result in a massive loss of jobs.⁵²

⁵⁰ "Management Perspectives on 1994 Reported Results and Business Prospects," McDonald's Investor Release, 4/21/94, page 6.

⁵¹ Copyright 1994 Disclosure Incorporated, McDonald's S Corp., Disclo Company Number M314600000.

⁵² Healthcare Equity Action League, Goals and steering committee members list, 2/14/94. See also HEAL News Release, "Clinton Health Plan Trades Away Jobs, 4/14/94.

McDonald's At A Glance

Profits Worldwide	\$1.083 billion
Sales Worldwide	23.6 billion
Stores in Belgium	NA
Stores in Germany	501 (+13.7%)
Stores in The Netherlands	100 (+17.6%)
Stores in Japan	1,048 (+8%)
CEO Compensation	\$2.1 million

Conclusion

Pizza Hut and McDonald's have made their arguments against shared responsibility. But their growth overseas -- where they already provide health insurance under comparable shared responsibility systems -- testifies more clearly to the success of this financing system. These companies may continue to provide better coverage to foreign workers, but they can no longer cloak their policies and opposition to shared responsibility in fear and false claims about job loss. Their own experiences overseas demonstrate that, even in low wage businesses, employers can pay for health insurance for their hourly workers without qualification and make significant profits at the same time. Their own experiences expose just how wrong their job loss claims have been.

Congress will soon vote on shared responsibility and we call upon them to look beyond the self-serving rhetoric of companies like Pizza Hut and McDonald's and examine the performance and practices of these companies. There is no conceivable rationale for letting these extremely profitable giants off the hook. There is no reason why small businesses and hard working Americans who pay for health insurance should continue to subsidize large businesses (through cost shifting) that don't pay their fair share.

And, finally there are the millions of low-wage, hard working Americans at companies like Pizza Hut and McDonald's in every Congressional district in America. It is time for Congressional opponents of the employer mandate to

consider their plight. How will Congress explain to hard working Americans that they chose to protect huge companies that pay for benefits for their foreign workers, but do not provide similar benefits in the United States? How will Congress justify that, under the guise of serving small business, they protected some of the largest and most profitable companies in America? How will Congress justify guaranteeing these workers less health care than foreign workers get at the same companies?

APPENDIX

- Insurance in the International Workplace: A Four Nation Comparison
- Summary Descriptions of Foreign Health Care Systems: Belgium, Germany, Japan, The Netherlands

INSURANCE IN THE INTERNATIONAL WORKPLACE: A FOUR NATION COMPARISON

	<i>BELGIUM</i>	<i>GERMANY</i>	<i>JAPAN</i>	<i>NETHERLANDS</i>
PART TIME EMPLOYEES	Covered	Covered	Covered if work 30 hours or more	Covered
EMPLOYER/EMPLOYEE CONTRIBUTIONS	Employers 3.8% of wages; Employees 2.55% of wages	Employers 50% Employees 50%	Employers 50% Employees 50%	Employers 4.95% of wages Employees 3.15% of wages + nominal premium
SMALL BUSINESS EXEMPTIONS	None	None	For less than 5 employees	None
HEALTH CARE EXPENDITURES AS % OF GDP	6.5% (1991)	8.1% (1990)	6.5% (1990)	8.2% (1990)

Belgium

Health care insurance is provided under Belgium's compulsory social security system.⁵³ The entire population is covered by health insurance.⁵⁴

Employers and employees are the major players in the health care system since they contribute 55 percent of health care costs. State subsidies contribute 40 percent of overall cost.⁵⁵ Since 1982, employers contribute 3.8 percent of wages paid, while employees pay 2.55 percent. The self employed contributed 3.3 percent of income for the compulsory health insurance.⁵⁶

Part-time employees are covered by employer contributions and there is no exemption for small businesses.⁵⁷

Health care benefits in Belgium are administered to beneficiaries through mutualities, which take care of reimbursement and coverage of medical costs.⁵⁸ Benefits distributed for sickness and disability amounted to 6.5 percent of GDP.⁵⁹

The National Institute for Health Sickness-Disability Insurance (INAMI) is the government agency that regulates health care. The agency is governed by a General Board made up of representatives of employers' organizations, trade unions, organizations of self-employed, mutualities, doctors, nurses, hospitals and pharmacists.⁶⁰

The insurance program for wage earners covers inpatient and outpatient care with choice of doctors and other health care providers. Patients pay a coinsurance of 25 percent for routine medical care and procedures, and a daily lump sum for inpatient care. Dental care is partially reimbursed, while

⁵³ Fact sheet on the Administration of Health, Sickness and Disability Insurance in Belgium, Belgium Embassy, page 1.

⁵⁴ Ibid page 3.

⁵⁵ Ibid, pages 1 and 3.

⁵⁶ Ibid, page 3.

⁵⁷ Confirmed by conversation with Didier Seeuws at Belgium Embassy 7/5/94 at 4:10 pm.

⁵⁸ Fact sheet on the Administration of Health, Sickness and Disability Insurance in Belgium, Belgium Embassy, page 2.

⁵⁹ Ibid, page 2.

⁶⁰ Ibid, page 3.

prescription drugs are covered in full for life-saving medication and partially for other classes of drugs.⁶¹ Clinical lab tests are paid on a fee for service basis except for inpatients. Fee schedules are negotiated between the insurance carriers and the medical profession.⁶² Fees for nurses and other health care professionals, hospital rates and pharmaceuticals are negotiated by the government.⁶³

Self employed persons are insured only for major risks, like inpatient care, surgery and specialized care.⁶⁴ They can, however, subscribe to a voluntary insurance coverage program with their mutuality, and 70 percent of Belgium's self-employed elect to purchase this coverage.⁶⁵

⁶¹ Ibid, page 4.

⁶² Ibid, page 5.

⁶³ Ibid, page 5.

⁶⁴ Ibid, page 4

⁶⁵ Ibid.

Germany

Germany has a work-based health care system that features private insurance, near universal coverage (99%), employer-based participation in health care costs, choice of health care providers, global budgeting with negotiated rates and a comprehensive health benefits package.⁶⁶ There are no exclusions to coverage, so Germans do not fear losing their health insurance as some Americans do.⁶⁷

Part-time employees are covered by employer contributions and there is no exemption for small businesses.⁶⁸

Health care benefits are financed with revenue from five sources:⁶⁹

- Local, state, and federal taxes.
- Payroll deductions for health insurance premiums are shared equally between employers and employees.
- Private insurance premiums (for additional coverage or for those who opt out of the sickness funds).
- Direct payments in the form of out of pocket expenditures and co-payments (added in 1970).
- Fees imposed on public and private employers to pay for sickness allowances for up to six weeks.

Health insurance premiums range from 8 percent to 16 percent. The average payment in 1992 was 12.5 percent. Employer/employee contributions represent 60 percent of health care expenditures in Germany.⁷⁰

⁶⁶ O'Connor, Kathleen, "What Do Our Competitors Do?", Employee Benefits Journal, 12/92, page 29.

⁶⁷ Kaps, Carola, "Health Care in Germany," Europe, 4/93, page 11.

⁶⁸ Confirmed by conversation with Karl Feldengut at German Embassy 7/6/94 at 11:55 am.

⁶⁹ Graig, Laurene A. Health of Nations: An International Perspective on U.S. Health Reform. Second Edition, 1993. (Washington, D.C.: Congressional Quarterly Inc.), p. 96.

Health care benefits are administered by 1,150 sickness funds,⁷¹ which are similar to American Blue Cross and Blue Shield plans.⁷² Membership in a sickness fund is mandatory for employees earning less than a government-set ceiling, currently \$41,000 in the western states and \$30,000 in the former East German states.⁷³ Employees earning more are permitted to opt out of the fund and purchase private health insurance, but most chose sickness fund coverage.⁷⁴ Employers contribute to their employees' health care costs for either sickness fund or private insurance coverage.⁷⁵

As in the United States, many large companies sponsor their own sickness funds. Contributions for these self-insured plans are slightly lower, with an average contribution of 11.4 percent.⁷⁶

German health care benefits are among the most comprehensive in the world, and include an income replacement feature.⁷⁷ Preventative care and regular checkups, dental care, vision, hospital treatment and home health care are covered.⁷⁸

In addition to membership in a statutory sickness fund or private plan, Germans are permitted to purchase private insurance to cover supplemental benefits like private hospital rooms, medical coverage for overseas travel, etc. Nearly five million Germans elect to purchase this coverage.⁷⁹

⁷⁰ Graig, Laurene A. page 93 and 96.

⁷¹ Graig, Laurene A. page 90.

⁷² Helms, Robert B. (editor), Health Care Policy and Politics, page 25.

⁷³ Graig, Laurene A. page 90.

⁷⁴ Graig, Laurene A. page 91.

⁷⁵ Graig, Laurene A. page 96.

⁷⁶ Graig, Laurene A. page 95.

⁷⁷ Graig, Laurene A. pages 91 - 92.

⁷⁸ Fact sheet from German Embassy, page 4.

⁷⁹ Graig, Laurene A. page 96.

JAPAN

Japan has an employment-based, multipayer system with health care provided through private channels. Patients are given freedom to choose their own providers.⁸⁰ Government regulation requires all employers to provide health coverage to all employees and their dependents either by financing an independent health insurance plan or contributing to a government-run plan.⁸¹ Japan adopted universal health coverage in 1961.⁸²

Part-time employees are covered by their employer's contributions if they work 3/4 of a full-time schedule or more (at least 30 hours per week).⁸³ An exemption exists for small businesses -- firms with less than five employees are not required to contribute to employees' health care costs.⁸⁴

Health insurance premiums in Japan are income-based for government managed plans.⁸⁵ Premiums are fixed by law, with employer and employee contributing equal amounts to the plan. In 1992, employers and employees each contributed an amount equal to 4.1 percent of the employee's salary.⁸⁶

Large firms in Japan are permitted to set up health societies to provide benefits. Premiums are not fixed by law and range from 3 percent to 9.5 percent of insurance premiums. In principle, these premiums are split evenly between employer and employees, but the companies are allowed to pay the entire cost. In 1992, the average contribution for these societies was 8.3 percent.⁸⁷

⁸⁰ Laurene A. Graig, The Health of Nations, An International Perspective on U.S. Healthcare Reform, page 130.

⁸¹ Graig, page 130.

⁸² Masataka Kohda, "How Does Japan Do It? Universal Health Insurance Coverage in Japan," EBRI Issue Brief, April 1993, page 35.

⁸³ Pat Murdo, "Parts of Clinton's Health Care Proposal Parallel Japanese Plan," JEI Report No. 38B, 10/15/93, page 10.

⁸⁴ Conversation with Pat Murdo from the Japan Economic Institute on Tuesday, 7/5/94 at 4:00 p.m.

⁸⁵ Graig, page 139.

⁸⁶ Graig, page 139.

⁸⁷ Pat Murdo, "Parts of Clinton's Health Care proposal Parallel Japanese Plan," JEI Report No. 38B, 10/15/93, page 10.

The unemployed and self employed are covered by a national health insurance plan with premiums dependent on income.⁸⁸

The system operates under fee for service, with choice of provider, as long as the provider agrees to a government set fee schedule.⁸⁹ Basic medical care is provided, as are allowances for maternity care. There are copayments, but they are limited to 30 percent or less.⁹⁰

⁸⁸ Ibid, page 10.

⁸⁹ Ibid.

⁹⁰ Ibid, page 9.

The Netherlands

The Netherlands' health care system combines public and private financing with private delivery of care.⁹¹

The public insurance program, ZFW, is mandatory for all residents earning less than a specific income -- \$32,000 in 1992. ZFW covers 62 percent of the population, and the premiums for this coverage are income-related.⁹²

Persons earning more can purchase private insurance, which is optional and covers 32 percent of the population. Premiums are fixed and there are some out-of-pocket payments.⁹³ About one-third of private insurance is group insurance, and large firms may self-insure.⁹⁴

Part-time employees are covered by employer contributions and there is no exemption for small businesses.⁹⁵

The remaining six percent of the population is covered under mandatory insurance for persons in the public sector. Civil servants employed by the provincial and municipal governments are covered under this plan, and premiums are income-related.⁹⁶

Dutch health care is financed by income-based premiums, paid by employers, employees, retirement and unemployment funds. In 1989, health care premiums represented eight percent of gross wages. Employers contributed 4.95 percent, while employees paid 3.15 percent plus a nominal premium. Employers contribute the same amount to their employees' insurance regardless of whether they belong to the public or private plans.⁹⁷

⁹¹ Graig, Laurene A. The Health of Nations: An International Perspective on U.S. Health Care Reform. p. 115.

⁹² Graig, Laurene A., pages 117 - 118.

⁹³ Ibid, page 118.

⁹⁴ Ibid, page 119.

⁹⁵ Confirmed by conversation with Jeannetina Veldhujozon of Dutch Embassy, 7/5/94 at 4:15 p.m.

⁹⁶ Graig, Laurene A., page 118.

⁹⁷ Ibid, page 119.

Health care benefits are provided through a network of independent nonprofit sickness funds and private organizations.⁹⁸ There are 30 regional funds, each of which contracts with a single insurer. A person must use the fund in their geographical area.⁹⁹ Both public and private plans cover all inpatient and outpatient care.¹⁰⁰

⁹⁸ Ibid, page 115.

⁹⁹ Freiden, Joyce. "Is Dutch health care a Model for the U.S. health care system?" *Business and Health*. May 1992, page 34.

¹⁰⁰ Ibid, page 38.

U.S. Senate Committee on Labor and Human Resources

hearing on

Dual Standard: Health Insurance for American
and Foreign Employees of Multinational Companies

Witness List

July 22, 1994 at 10:00 AM
Dirksen 430

Panel I

James and Brenda Newman
Whitesburg, KY

Ms. Nellie Kincer
Whitesburg, KY

Ms. Deborah Accuardi
Accuardi's Old Time Pizza
Portland, OR

Panel II

Mr. Allan Huston
President and CEO
Pizza Hut Incorporated
Wichita, KS

Panel III

Jonathan Gruber, Ph. D
Assistant Professor of Economics, M.I.T.
Faculty Research Fellow,
National Bureau of Economic Research
Washington, D.C.

David R. Henderson
John M. Olin Visiting Professor
Washington University
St. Louis, MO

Dr. William Fisher
National Restaurant Association
Washington, DC

Robert Chlopak
Chlopak, Leonard, Schechter, and Associates
Washington, DC

STATEMENT OF BRENDA NEWMAN
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

JULY 22, 1994

My name is Brenda Newman, I am here with my husband James. We are from Whitesburg, Kentucky which is in the eastern part of the state. We have both been in Kentucky all of our lives. We appreciate the opportunity to come before the Committee today. We believe health insurance is very important and feel strongly that everyone must be covered.

I first began working at Pizza Hut sometime in 1988. When I took the job I knew that it wasn't going to pay too much. I made \$2.09 cents an hour plus tips. Times were hard in that part of Kentucky and tips didn't come too easy.

When I first took the job I wasn't too concerned that I couldn't afford health insurance because my husband was working and I was covered through his policy at work. However, several months later my husband was laid off unexpectedly by the coal company and neither of us had any health insurance.

That was a very hard time for my husband and me. We went for over eight months without health insurance and both of us had to pay for doctor's bills ourselves. Thank goodness neither of us got too sick but we both did have to see doctors. So we had medical bills as everybody does and it was hard but we paid them

their lives can sometimes find that they do not have insurance, and that they do not have any way to get it. I was willing to pay my fair share of insurance, but I just couldn't afford to pay for it all. Pizza Hut was able to pay for health insurance for the manager, but it wouldn't pay for me or other workers. And I think that is wrong.

I have been told that Pizza Hut pays for insurance of workers in other countries but not for American workers. And I think that's wrong too. We came to Washington because we hope that we could help other people who might get caught without insurance. We learned that something can happen to you when you don't expect it at all and that if you don't have insurance it will be a hard road.

STATEMENT OF NELLIE KINCER
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

JULY 22, 1994

My name is Nellie Kincer and I'm from Whitesburg, Kentucky. I'm 62 years old with four kids, six grandchildren, and I have two more grandchildren on the way. I'm happy to be here. Even though I'm a little anxious, I hope my story can show you how important health insurance is.

After thirty-five years of marriage I was divorced in 1986. After my divorce I had to look for work to support myself. I wanted to find a job that provided health insurance because I have a heart condition and need to take medication. When I was covered under my husband's Blue Cross/Blue Shield plan, I had some health problems and I was able to see a specialist in Lexington. He was an excellent doctor, and we could afford to see him. In fact sometimes I think the hardest part of the divorce was losing my Blue Cross/Blue Shield.

I was unable to find a job that provided health insurance, and I began working as a cook for Kentucky Fried Chicken. I was making \$3.35 an hour with no retirement, no paid vacation, and most importantly no health insurance. My medication for my heart condition costs \$60 a month. And I'm also suppose to take an ulcer drug which costs \$60 a month too. Working at KFC I was only able to get about 35-36 hours a week. On this salary I had

others who work hard and have families and do not have any health insurance. I don't think it is right that I need to choose between getting medication and putting food on the table. I don't think anybody else should have to make that choice either.

STATEMENT OF DEBORAH ACCUARDI
BEFORE THE SENATE COMMITTEE ON LABOR & HUMAN RESOURCES

DUAL STANDARDS: HEALTH INSURANCE FOR
EMPLOYEES OF MULTINATIONAL CORPORATIONS

JULY 22, 1994

My name is Deborah Accuardi. I run Accuardi's Old Town Pizza in Portland, Oregon. My father-in-law opened the restaurant in 1974. My husband and I have been involved in the operations since 1987. We have between twenty-five and twenty-eight employees at any given time. Most are under the age of twenty-five and are students. Except for myself and my prep cook, all are part-time employees.

We have offered health care to our employees since 1988 through Kaiser. We are covered for medical, dental, and optical. The pizza parlor pays for half, as does the employee. This usually amounts to about 12 percent of our operating budget. We see this as a cost of doing business. If we were able, we would pay 100 percent. At this time we are unable to, as we are so small and there is quite a bit of competition in our market. I'm sure that customers pass as many as eight other pizza parlors on their way to our establishment. They do still come here, though. We try to instill a sense of family both with our customers and our employees. We try to excel in this market. We offer high quality ingredients and our family recipes to customers who, in some cases, have been coming in here for twenty years.

We are also unique in that we don't have a very high turnover of employees. Many come to us as freshmen in college and leave as they graduate. This is not because we offer a high wage. I feel it is because of the fact that we are willing to work around their school schedules, offer health insurance and generally care about their well-being. My husband and I have become very good friends with many of our employees and have kept in close contact with those of them who have gone on to other career opportunities.

Until this year, we had between 25 and 50 percent of our employees using the health insurance. This year we are at an all-time low of three employees. This past winter, we were at an all-time high for employees being out sick. Every employee was out at least two days, while I had three employees that were sick for a total of three weeks each with the flu.

I have urged the employees who can qualify to sign up for the Oregon Health Plan, but many are on the borderline for that. Their only other alternative is to go to the free clinics available. They do not offer preventive help. When the flu season hit last year, many were not able to get in because of the large amount of people already there.

**Statement of Allan S. Huston
President and Chief Executive Officer
PIZZA HUT, INC.**

**Presented to The Committee on
Labor and Human Resources
United States Senate
July 22, 1994**

My name is Allan Huston and I have the privilege of serving as Pizza Hut's President and Chief Executive Officer. Pizza Hut was born in Wichita, Kansas in 1958 and we continue to be headquartered in our home town. I appreciate the opportunity to appear before the Committee on Labor and Human Resources and I sincerely hope we're all here to productively discuss health care reform in general and mandates in particular.

Today, there are 10,000 Pizza Huts in 87 countries. Total employment in the Pizza Hut system exceeds 235,000 workers. In the United States, the Pizza Hut system employs 195,000 people, 95 % of which work part-

Little League baseball to police department basketball programs for gang members. Through our Harvest program we feed the needy and help feed those who are victims of national disasters such as Hurricane Andrew.

We have built our business on the fun of sharing a piping hot pizza with friends and family. It came as a shock to all of us that overnight we were somehow transformed from a pizza baker to a target in a national political debate.

Seemingly out of nowhere, a group called the Health Care Reform Project launched a campaign against us including derogatory television ads and plans to disrupt our business.

Accusations have been made about Pizza Hut that have created an overcharged, adversarial atmosphere that is not only unfamiliar to us, but in the end, more importantly, extinguishes any meaningful dialogue.

Under the plan we put in place for our part-time workers, they pay the cost of their health insurance for the first six months of their employment, after which we contribute to the plan to supplement their benefits. The average weekly cost for a single employee to participate is approximately \$11.

Health care is not the only benefit we provide our part-time employees. For instance, we also provide a student loan service, child care discounts, a discount shopping network, a retirement plan and paid vacations. Finally, if they stay with us for one year and work 1,500 hours per year, they participate in a stock option program, and that, is unique in all American industry.

The recent debate has become confusing to all of us. I even have heard that Pizza Hut opposes health care reform. That's untrue. We support reforms that will enhance competition, such as voluntary purchasing alliances, and other reforms that will contain costs such as tort reform

of the mandate-driven health care systems such as in Japan and Germany, I will leave that discussion to others.

In markets with burdensome social costs, Pizza Hut has been unable to develop the kind of business that generates the new jobs and opportunities we have enjoyed in the United States. Despite the burdensome costs of Germany and Japan, have we been successful? Contrary to some of the misleading information published by the Health Care Reform Project during the last week, the answer is **no**. Our operation in Germany, with only 65 restaurants, despite increased revenues, has been unprofitable in 10 of the last 11 years.

Our franchisee in Japan has yet to make a return on investment, even though Pizza Huts in Japan average over \$1 million each year in sales. Our experience is that the high cost of mandates contributes to higher prices, lower profits, unemployment and eventually stifles investment.

Let's take a look at an actual example of Pizza Hut elasticity:

(CHART)

Less traffic means less sales and declining sales inevitably lead to fewer jobs.

A similar myth is that we can somehow magically absorb the cost increase. Some people claim that the 1991 minimum wage increase had no effect on our business--untrue. In fact, it led to a staffing decrease equivalent to the loss of 16,500 jobs.

(CHART)

With increased costs due to mandates we would be left with a Hobson's choice: Either raise prices, which will lead to a fall-off in sales and eventually lost jobs, or eliminate jobs at the start. Poor choices, indeed.

At Pizza Hut, as well as any business, cost structures are a linchpin of success. Nothing is more certain to destroy a viable business than

We have been unfairly singled out for criticism for one reason--and for one reason alone: We disagree with certain pressure groups on the mandate issue. It's time we all turn our attention to the issues. As Senator Kassebaum so aptly put it, it is time to seek solutions rather than villains.

Thank you for listening.

I want
Pizza
Kass. → Clinton would
sell hamburgers
hate to
go to waste!

Health Care Reform and Employment

Testimony of

Jonathan Gruber

Assistant Professor of Economics, Massachusetts Institute of Technology
Faculty Research Fellow, The National Bureau of Economic Research

before the

Senate Labor and Human Resources Committee
U.S. Congress
July 22, 1994

A central feature of most proposals to reform the health care system is mandated employer provision of health insurance. This provision has attracted much criticism, on the grounds that forcing employers to offer insurance to their previously uninsured employees will cause massive disemployment. This criticism has been levied most stridently by the service industries, such as fast food restaurants. The purpose of this testimony is to argue that this criticism is misplaced: all of the compelling economic evidence suggests that the job loss from an employer mandate, if any, is likely to be minimal.

General Employment Effects of an Employer Mandate

The logic behind the disemployment claims is that firms which do not currently offer health insurance, but which will be mandated to do so, will see their costs of compensation rise, and will as a result lay off a large number of workers. The key point is that, for these firms, the extent of job loss will be determined by the extent to which the costs of this health insurance can be shifted to their workers' wages. If full shifting takes place, then the total cost of compensation to the firm will not rise, and there will be need for the firm to lay off workers. If it does not, then compensation costs will rise, and there will be layoffs.

Both economic theory and past empirical evidence suggests that, in fact, *there will be little job loss* in the medium-long run because there will be no net rise in the cost of compensation. In one study which I coauthored with Alan Krueger of Princeton University, we looked at the effect of large increases in the costs of workers compensation, the oldest mandated benefit in the U.S., on wages and employment. These cost increases larger than the proposed cost of health insurance under most employer mandate plans; they exceeded 10% of payroll for some industries in some states. Yet we found that over 85% of the cost increase was passed onto workers wages, so that there was little net rise in the cost of employing workers due to workers compensation. As a result, we found *no significant effect on employment* of increased workers compensation costs.

redistributing to lower wage workers in a more efficient manner.

Under this Committee's plan, the most that an employer will pay for health insurance is 12% of an individual's wage. For smaller firms, this rise will be much lower, with only a 1% increase in compensation costs for firms below 5 employees. This means that for minimum wage workers, the costs of compensation will rise by *at most 51 cents per hour*. For most minimum wage workers, the cost rise will be much less, as 76% of uninsured minimum wage workers work in firms below 100 employees. Due to the subsidies for smaller firms, I estimate that the average cost increase for uninsured minimum wage workers under this Committee's plan will be only 33 cents per hour.

Third, recent evidence suggests that minimum wage increases which are of a similar (or larger) magnitude have no effect on employment, even in service industries. A large number of recent studies have shown that increases in the minimum wage in the 1980s and 1990s did not cause any fall in employment. Perhaps the most compelling finding comes from a study by David Card and Alan Krueger of Princeton University, who found that *when New Jersey raised its minimum wage by 80 cents in April, 1992, there was no fall in employment in the fast food industry*. This minimum wage increase is much larger than the cost increase for any minimum wage employee under this Committee's plan.

This study is important because it focused explicitly on the fast food industry jobs which are supposedly most "at risk" from the Clinton plan. Furthermore, it confirmed earlier findings from a similar study by Krueger and Lawrence Katz of fast food restaurants in Texas when the federal minimum wage increased. So the evidence suggests that even for the low wage industries such as the fast food industry, large increases in the cost of employing low wage labor does not lead to layoffs. Thus, a similar rise in the cost of such labor under a mandate should have little disemployment effect.

Previous Studies

I should note that several other studies have stated that there will be very large job losses from an employer mandate. These studies all make one common mistake: they assume that the cost of employer compensation will rise for many workers when the mandate is put into place. As I have tried to emphasize, all of the previous available evidence suggests that this is a poor assumption. If one assumes instead that the cost will be shifted to wages for workers above the minimum wage, the job loss is less than one-quarter as large as that found by these studies.

Furthermore, these studies make two additional mistakes. First, in their job loss estimates the studies consider both full and part time jobs. In fact, many of the jobs lost will be part time. Second, they assume that there will be no job gains from the lowered cost of health insurance to the majority of firms that do now provide insurance coverage. Such lowered costs will arise in the short run through subsidies

THE TRUE COST OF "EMPLOYER" MANDATES

Testimony of

David R. Henderson¹, Ph.D.
John M. Olin Visiting Professor
Center for the Study of American Business
Washington University
St. Louis, MO

before the
Senate Committee on Labor and Human Resources
United States Senate

Mr. Chairman and Members of the Committee:

I am currently the John M. Olin Visiting Professor at the Center for the Study of American Business, Washington University, in St. Louis. I am on leave from the Naval Postgraduate School in Monterey, California, where I am an associate professor of economics. Previous to that, I was senior economist for health policy with the President's Council of Economic Advisers. I am also the editor of The Fortune Encyclopedia of Economics.²

I have been asked to testify on the effect of mandating that employers provide health insurance for their employees. The analysis of the effects of employer mandates is straightforward Economics 101. A government mandate that employers pay for their employees' health insurance will have three main effects. First, workers' wages will fall. Second, some workers will lose their jobs. Third, the volume of goods and services produced by

¹. The views expressed in this testimony are my own and do not necessarily represent those of the Center for the Study of American Business or the Naval Postgraduate School.

². David R. Henderson, ed., The Fortune Encyclopedia of Economics, New York: Warner Books, 1993.

in pay.³ This is in the ballpark of most estimates. In a separate study of the workers' compensation program, Jonathan Gruber and Alan Krueger found that for every \$1 spent by employers, 80 to 100 cents comes out of workers' wages.⁴ Thus, the cost of the mandate is almost entirely put on the backs of workers. This finding is not controversial. Economists, whether or not they believe in employer mandates, do not kid themselves that employers pay for them. David M. Cutler, who defended employer mandates at the annual meetings of the American Economic Association, and who was until recently a senior economist with President Clinton's Council of Economic Advisers, agrees with this finding. In his words, "Most of these cost changes are likely to show up as changes in wages..."⁵ The Congressional Budget Office, in its studies of mandates, and the Clinton administration itself, agree that employees pay almost all the cost of employer-provided mandates.

The reduction in employees' pay depends on the cost of the mandate, not on the employee's income before the mandate. So, if the mandate costs, say, \$2,500 and the employer is required to pay 80% of that, or \$2,000, then, by Krueger's estimate, the

³. See Alan B. Krueger, "Observations on Employment-Based Government Mandates, With Particular Reference to Health Insurance," Princeton University, Economics Department, unpublished ms., October 15, 1993, p. 22.

⁴. Jonathan Gruber and Alan Krueger, "The Incidence of Mandated Employer-Provided Insurance: Lessons from Workers' Compensation Insurance," in David Bradford, ed., Tax Policy and the Economy, Vol. 5, Cambridge, MA: MIT Press, 1991.

⁵. David M. Cutler, "A Guide to Health Care Reform," Harvard University, unpublished ms., February 1994.

two months or two years, but, whatever time that adjustment takes, during that time a large number of jobs will be lost.

Even if the adjustment were instantaneous, many jobs would be lost. Why? Because for workers at the minimum wage, their wages cannot legally fall. The same is true for workers earning only a little above the minimum wage. Take a worker earning \$5.50 an hour and working 1000 hours a year, for an annual pay of \$5,500. For that worker's pay to adjust by, say, \$1,660, his or her hourly pay would have to fall to \$3.84, which is well below the current \$4.25 minimum wage. So that worker is likely to lose his job.

Economists June O'Neill and Dave O'Neill, both at the Center for the Study of Business and Government at Baruch College, have done a careful study of this issue.⁶ They point out that, in 1993, 19.9 million workers who were uninsured were making less than \$6.50 an hour. Their average income was \$6,172 because, on average, they were working part-time. By assuming that workers whose pay was below \$6.50 an hour would not have their pay cut at all, they estimate that about 781,000 low-wage workers would lose their jobs because of the originally proposed Clinton mandate.

What about the overall impact on jobs? As you might expect, because economics is an imperfect science, the estimates vary. But two things emerge clearly from the studies of job loss. First, almost all the studies find a job loss. Second, most of the studies find a substantial job loss. According to the

⁶. See June E. O'Neill and Dave M. O'Neill, "The Employment and Distributional Effects of Mandated Benefits," Washington, D.C., American Enterprise Institute, 1994.

hypocritical whatsoever about these two companies' reported actions. Because governments require employer-provided health insurance in Europe, Pizza Hut and McDonald's comply with the mandate.

Pizza Hut and McDonald's would be hypocritical only if they advocated employer mandates in Europe but not in the United States. If they had their druthers, they would probably abolish employer mandates in Europe as well as avoiding them here. If the law required truth in lobbying, the Health Care Reform Project would be found guilty. An accurate title for its report would be "Do As We Say, Not As We Are Forced to Do."

But personally, I'm glad that the Health Care Reform Project raised the example of European workers. There is a lesson to be learned from Europe, but it is the exact opposite of the one the report draws. Between 1970 and 1990, U.S. governments--at the federal and state levels--were much more modest than their European counterparts in imposing mandates on employers. The result: real labor costs in the United States rose by only about 10% while the number of jobs soared by 52%. During those same 20 years, governments in the European Community have added many mandates on employers.⁸ The result: the ratio was reversed. While real labor costs in the EC rose by 60%, employment rose only 10%. Indeed, Europe as a whole has failed to create any net new jobs in the private sector over the past 20 years; the only

⁸. For more on this, see David R. Henderson, "The Europeanization of the U.S. Labor Market," The Public Interest, Number 113, Fall 1993.

Statement of
WILLIAM P. FISHER,
Executive Vice President, National Restaurant Association,
to the Senate Labor and Human Resources Committee,
July 22, 1994

I am Bill Fisher, executive vice president of the National Restaurant Association, a full-service trade association representing 25,000 member companies that operate 150,000 establishments across the nation. I speak for all of them when I say that the treatment received by two of our members, Pizza Hut and McDonald's, last week was an affront to the entire foodservice industry.

An attack was made on these two companies because they have stated their opposition to legislation that would cripple our business. That attack amounts to corporate character assassination, and that is not the way public debate should be conducted in a democratic country.

Because of the views expressed by these two companies, proponents of the President's health care proposals are encouraging operatives everywhere to picket their units presumably in an attempt to alienate their customers. Full-page advertisements are also being run that bring allegations against these companies.

And what about these allegations? They are at best half-truths that obscure the reality. American corporations that operate in European countries abide by the laws of those countries. If there are mandates that require employers to pay for health insurance in those countries, they comply. That is the case with Pizza Hut's operations in Germany. That is the half-truth that has been used to malign the company.

purchasing pools; allowing businesses to take a 100 percent tax deduction for health insurance; eliminating pre-existing exclusions; reforming malpractice laws; eliminating costly state-mandated health benefits; and developing a computerized, standardized claims system.

The association has consistently opposed an employer mandate—the linchpin of the Clinton plan—because it would artificially raise the cost of labor beyond a viable level for most employers in the low profit margin, labor-intensive restaurant industry.

In the end, an employer mandate is a tax on workers, pure and simple—and U.S. workers will end up paying with their jobs.

Statement of Robert Chlopak,
General Consultant, Health Care Reform Project
Before the Senate Committee on Labor and Human Resources

July 22, 1994

Mr. Chairman and Members of the Committee: My name is Bob Chlopak and I am President of Chlopak, Leonard, Schechter and Associates, Inc. It is a pleasure to appear before you today.

CLS, as it is known, is a small public affairs communications consulting business. In August 1993, CLS was retained by the Health Care Reform Project, a non-profit coalition comprised of organizations and businesses representing health providers, consumers, older Americans, children, union workers and, of course, business. Our job has been to provide the Project with strategic advice and assist them with advertising, media relations and other communications services relative to the health care reform debate. The Project has become the major pro-reform coalition with 45 organizational members representing around 65 million Americans. For the record, both CLS and the Project pay for health insurance for our employees.

Today, I'd like to make three brief points. First, I will explain why we conducted the study on Pizza Hut and McDonald's. Second, I will summarize the major findings of the report. Third, I'd like to respond to critiques of the report.

About seven months ago a PepsiCo executive, David E. Scherb, told the House Ways and Means Committee that the employer mandate would cause the loss of "tens of thousands" of job opportunities at its restaurants. In the same testimony Mr. Scherb said the mandate would wipe out more than half of their restaurant profits if PepsiCo took no other action.

A little more than three months ago, PepsiCo and McDonald's, through a coalition called the Health Care Equity Action League, HEAL, released a study that said the employer mandate (in the Clinton plan) would result in over \$27 billion in lost compensation.

So, we decided to take a look at these claims. We wanted to examine how these companies were performing under shared responsibility requirements in other countries at the very same time they were making a strong case against legislation pending in Congress. Our study was a response to the aggressive lobbying and political activities of PepsiCo and McDonald's. These companies raised their own profiles in this debate; we didn't single them out. If there are victims in this debate, they are people like Rosie Rodriguez, a Queens, N.Y. Pizza Hut worker who told the *New York Times* she

costs \$11 in the U.S., will go up to \$19 or \$25 as the company now charges in Germany and Japan, respectively, if Congress enacts an employer mandate. But according to the company's own data, these huge price increases just don't add up. Scherb testified that labor costs account for roughly 30% of sales at its restaurants. Thus, under the Senate Labor Committee bill which caps health expenditures for low wage businesses at 12%, Pizza Hut would need only a 3.6% (30% of 12%) increase in the cost of pizza to cover its health insurance costs. That's an increase of just \$.40 per pizza, assuming all of the costs are passed on to consumers.

Mr. Chairman, we have a brief paper rebutting other false charge made about our report that I would like to insert in the record.

Let me conclude with one final thought. There is appropriate sensitivity in the health care debate to small businesses. As a small businessman, I know first hand how hard it is to build a successful enterprise. But please do not lose sight of the fact that large businesses like Pizza Hut and McDonald's (over 1,000 employees) employ over 20% of the working uninsured -- that's nearly 7 million American workers and their families. There is no rationale for letting Pizza Hut and other large businesses continue to shift its health care costs to the rest of us, particularly since Pizza Hut could easily afford to cover its American workers, just like it covers its workers in Germany and Japan.

Thank you. I'd be happy to answer any questions from the committee.

Week ending 7/22/94

Health Care: The Week in Review

MONDAY:

- **Briefing for Economic Team**

The Health Care Delivery Room organized a pre-briefing for all of the economic members of the Cabinet. Each of the four principals scheduled to brief the pundits gave their presentation and a discussion followed. The participants posed likely questions that would be asked and discussed possible responses. A detailed briefing book written by members of the Health Care Delivery Room was distributed.

Attendees:

Secretary Bentsen
Secretary Brown
Secretary Reich
Director Rivlin
Chairman Tyson
Administrator Bowles
NEC Head Rubin

- **AFSCME study on the Effects of Dole's "Medicaid Cap"**

AFSCME released a study on "Squeezing the States: The Impact of Senator Dole's Reform Plan on State Budgets", which calculated, state by state, the shift of additional costs to state and local governments. The study found that Dole's "Medicaid cap" would cost states \$115 billion over 8 years. Governors from both parties sent a letter to Senator Dole objecting to this unfunded mandate. The Health Care Delivery Room provided the statistics and calculations upon which this study was based. This study has been distributed to a wide network of groups and field organizers.

- **CHA study on Dole's Impact on Premiums**

The Catholic Health Association (CHA) released "Coverage, Premium, and Household Spending Implications of Health Reform", a study conducted by Lewin-VHI. The study found that non-universal health care reform would increase the average premium significantly more than universal reform. A plan, such as Senator Dole's, that includes only insurance market reforms with subsidies, will be more than twice as much as under universal coverage. In addition, working Americans who currently have health insurance will pay more under a plan that includes only incremental reforms. This study has been distributed to a wide network of groups and field organizers.

TUESDAY:

- **SEIU study on Dole's Impact on States**

SEIU (Service Employees International Union) released a study done by Lewin-VHI on the effect of the Dole plan on states. The study concludes that at best, the Dole plan will reach only 25% of those currently uninsured at a cost to taxpayers of over

\$106 billion in new subsidies and tax deductions by the year 2000. The Health Care Delivery Room provided Lewin-VHI with the information to complete this study. This study has been distributed to a wide network of groups and field organizers.

- **"Dole is Bad Medicine for Seniors"**

The Health Care Delivery Room and Public Liaison worked with the seniors community to organize a series of activities that focus on how Dole is "Bad Medicine" for seniors. We created talking points and supplied state specific statistics on losses and gains for seniors under the Dole proposal.

In a press conference, Senators Graham, Wofford, Rockefeller, and Pryor joined the Leadership Council of Aging Organizations, including AARP, NCSC, NCOA and OWL to speak out against the effects of Senator Dole's plan on Medicare beneficiaries. The groups pointed out that under Dole's plan, insurance companies would still be able to charge older workers as much as four times more than younger people for insurance. The Dole plan takes money from Medicare without reinvesting the savings to enhance coverage for older Americans, and provides no new coverage for prescription drugs or long-term care.

There were a series of regional press conferences this week organized by AARP and NCSC on how Dole is Bad Medicine for Seniors. The press conferences were held in Iowa, New Hampshire, Missouri, Maine, Minnesota, Oregon, Pennsylvania, New York and Rhode Island.

Other activities include nationwide teleconferences organized by AARP and the Long Term Care Campaign and action alerts sent out by National Council of Senior Citizens, Families USA, the OWL, National Council on the Aging, AFSCME Retirees.

WEDNESDAY:

- **Pundit Lunches -- #1**

These luncheons were completely organized by the Health Care Delivery Room. Secretary Bentsen hosted this substantive examination of the need for universal coverage in the Diplomatic Reception Room at the Treasury Department. Laura Tyson started with an explanation of why insurance market reforms in the absence of universal coverage could actually decrease the affordability of insurance and increase the number of uninsured. Alice Rivlin followed with an explanation of how we cannot contain costs -- for the nation, the deficit, businesses, or families -- without universal coverage. Secretary Bentsen outlined the new Treasury study discussion myths about the uninsured. Bob Rubin closed with why universal coverage is an economic imperative and is essential to achieving the economic agenda of this administration. Mack McLarty discussed health care reform and businesses.

Attendees:

Albert Hunt	Wall Street Journal
Adam Clymer	New York Times
Timothy Russert	NBC
Nina Totenberg	NPR
E. J. Dionne	Washington Post
David Ignatius	Washington Post
Andrea Mitchell	NBC
Alan Murray	Wall Street Journal
Gordon Peterson	WUSA/Inside Washington
Michael Kinsley	CNN/The New Republic
Linda Douglas	CBS

- **Treasury Study Documenting Working Uninsured**

Secretary Bentsen released a Treasury Department study which found that 83.6% of all uninsured come from working families. The study breaks down the number of uninsured by State and by Congressional district. The Health Care Delivery Room worked with the Treasury Department in developing the study. As Secretary Bentsen said *"Who are these Americans without insurance? -- They're middle income Americans that are your neighbors."* The Delivery Room also converted the study into a format that was distributed to the regional press throughout the country.

- **Dole's Proposal Hurts Rural Americans**

The Health Care Delivery Room and Public Liaison worked with farm groups and the DPC to organize a press conference on Capitol Hill, including the development of charts and talking points. The press conference focused on how Senator Dole's proposal -- as an example of reform that does not achieve universal coverage -- in bad for rural America.

Secretary Espy joined with farm leaders and Senators Harkin, Daschle and Moseley-Braun, in calling for a plan based on universal coverage. Secretary Espy said, *"If we neglect to pass universal coverage we will be short-changing many rural families."* In addition, the groups released a series of charts that showed the Dole plan would not significantly increase the amount of doctors in rural areas, nor remove the unfair tax burden for the self-employed.

Regional press conferences or press interviews occurred in Kansas, North Dakota, Arkansas, South Dakota, Minnesota, Nebraska and Iowa.

- **AFL-CIO, AMA and AARP Voice Support for Universal Coverage & Shared Responsibility**

The AFL-CIO, the AMA and the AARP held a joint press conference voicing their support for universal coverage and shared responsibility between employers and employees. The group's leaders said in a joint statement: *"Covering all Americans is essential to effective insurance reform, eliminating cost-shifting, and ensuring patient choice of physician and health plan".*

THURSDAY:

- **Child Health USA, '93 Demonstrates Need for Universal Coverage**

The Department of Health and Human Services released a study, *Child Health USA, '93*, documenting the need for universal coverage to provide our nation's children adequate health care and to provide welfare-dependent families the opportunity to leave welfare and still guarantee health care for their children. The study found that only one third of all children had private health insurance. As Secretary Shalala said: *"Without universal health care coverage, more and more of our children will lose their private coverage in the coming months and years."*

The Health Care Delivery Room and Public Liaison worked with HHS, the Department of Education and the DPC to organize a press conference with members of Congress, Secretarys Shalala and Riley, the American Academy of Pediatrics, the National Association of Children's Hospitals and Related Institutions, and the Children's Defense Fund. The Delivery Room also edited the press release and Secretary Shalala's speech to focus the release on the need for universal coverage.

- **Pundit Lunches -- #2**

The second pundit lunch was very similar to the first. Held at the Treasury Department, the five presenters made the substantive case behind universal coverage.

Attendees:

Charles Bierbauer	CNN
David Broder	Washington Post
Rich Thomas	News Week
Mark Halperin	ABC
Gloria Borger	US News & World Report
Judy Woodruff	CNN
Dave Lauter	Los Angeles Times
Peter Milius	Washington Post
Dick Thompson	Time Magazine
Richard Wolf	USA Today
Dick Cooper	Los Angeles Times

- **CPI Study Documents Lobbying Expenses**

The Center for Public Integrity, a Washington-based watchdog group, released a study documenting the intensive lobbying of health care reform that the Administration and the Congress has faced. Among the findings: health care interests have donated more than \$25 million to Congressional campaigns and more than \$50 million in paid advertisements.

- **CEO's Support Universal Coverage & Employer Mandates**

The Health Care Delivery Room and Public Liaison organized a wide and diverse group of large corporations stood with Senators Kennedy and Daschle, Majority Leader Gephardt and Acting-Chairman of Ways and Means Committee Gibbons in support of universal coverage achieved by building on the current employer-based

system. They released two letters to Congress representing over 120 companies and associations, companies that employ millions of Americans and insure tens of millions, including workers, their families and former workers.

- **Tyson Speaks in Favor of Universal Coverage**

Laura Tyson spoke to a group of 400 women financial professionals on the need for universal coverage. Her speech focused on how insurance market reforms in incremental health reform proposals could at best only marginally increase access to and affordability of health insurance and, at worst, actually reduce affordability of insurance and increase the number of uninsured. She used the Dole plan as an example of a worst-case reform. A Dow Jones News wire story covering the speech was titled: "Tyson says Republican Health Plan Will Fail."

- **Vice President Voices Concern for Middle Class**

The Health Care Delivery Room organized a speaking engagement given by Vice President Gore at the Center for National Policy. The speech drafted by the Delivery Room emphasized the message that non-universal reform doesn't work for middle class Americans.

FRIDAY:

- **Veterans Groups Launch Ad Campaign**

Secretary Brown, Senators Rockefeller, Mikulski and Robb and a number of Veteran's groups (VVA, DAV, the American Legion, and the VFW) launched a joint print ad campaign calling for comprehensive reform that would not leave out veterans.

- **Senate Finance Committee on Pizza Hut & McDonalds**

Senator Kennedy held a hearing to follow up on a disturbing study by the Health Care Reform Project documenting the fact that though Pizza Hut and McDonalds provide health insurance for their workers in Germany and Japan, they provide little or no coverage for their workers in the United States. The study has touched off a storm of controversy around the fast-food chains, including pickets and other protests calling for coverage for all employees through shared employer-employee responsibility. The Health Care Delivery Room gave the analysis for the Kennedy hearing and pulled together material on the National Restaurant Association to show that the claims made by the report were accurate. The Delivery Room also found and veted witnesses for the hearing -- including two women who could not afford health insurance on their minimum wage salaries while they were working for Pizza Hut and Kentucky Fried Chicken and the owner of a pizzeria in Portland, Oregon who does provide health insurance for her employees even though it costs 12% of her payroll to do so.

ON GOING PROJECTS:

- **Editorial Boards**

This week, the Cabinet conducted 47 editorial board interviews on the importance of health care reform with universal coverage (see attached list). Each editorial board interview was arranged by the Health Care Delivery Room, and every editorial board was *Fed-Ex* a copy of our universal coverage message document and color charts. Next week, the Cabinet will participate in another 50 editorial board interviews.

- **Health Security Express**

• The Health Security Express kicked off its week long bus tour today in Portland, Oregon with the First Lady. Thousands of Americans will ride on caravans of buses from every region of the country, and rally at stops along the way, demanding health care reform that achieves universal coverage. They will arrive at the Capitol throughout the first week in August. The Health Care Delivery Room has worked very closely with Health Security Express to get Cabinet members there and to build crowds along the way with supporters.