REAL HEALTH CARE REFORM: MYTH VS. REALITY

Myth: There are 17 new taxes in the Mitchell bill

Reality: That's absurd. The Washington Post said that the Mitchell bill is "hardly tax-heavy."

The Dole Plan: Interestingly enough, the Washington Post says that "Dole's plan might surprise some Republicans for the new government involvement it contains."

Myth: The Mitchell bill contains 20 new bureaucracies

Reality: More scare tactics from the Republicans. The fact is: the House and Senate bills build on the existing, private-sector system and state administrative systems..

The Dole Plan: Loopholes, loopholes, loopholes. More of the same bureaucracies we have now. Hospital Administrators chasing paper trying to master 1500 different insurance forms; doctors and nurses squinting at fine print to see if the treatment you need is covered, vast "human resources" departments at big companies trying to find what's best for their employees and cheapest for them -- and for 39 million uninsured, lengthy and expensive bankruptcy proceedings if they get sick.

Myth: The Mitchell bill will force the young to pay for the old.

Reality: Discriminatory premium pricing will end. With universal coverage, costs will brought under control and older workers will no longer be forced to pay premium costs several times higher than younger people.

The Dole Plan: Seniors will pay three to four times what young people will pay. And without shared responsibility and universal coverage, rates for everybody will go up.. By one estimate, Republican half-measures will cost insurance buyers $28 billion a year.

Myth: The Mitchell bill will hurt the middle-class.

Reality: For most middle class families with insurance, premiums will go down. families who can't get insurance now will now get the same security Congress has. guaranteed private coverage that can never be taken away.

The Dole Plan: 24 million Americans will go without coverage -- more than 75% of the in working families. And a million working people a month will be pushed out of the system.

Myth: Big Brother will run the health care system.

Reality: People will run the system, as private insurance companies compete for their business. And with the fine print and hedges gone, consumers without a law degree will finally be able to compare the price and value of competative plans. The federal employees Blue Cross/Blue Shield package will be used as a benchmark -- the government does not set out specific descriptions of a standard benefits package.

The Dole Plan: The insurance companies will run the system. Fine print, high profits, and they decide who to cover -- you may or may not meet their standards. With at least 25 million Americans left uncovered, insurance reform is a pipe dream.

Myth: Shared responsibility will kill jobs.

Reality: Shared responsibility is the American way. Nine out of ten people with private insurance already get it through the workplace -- just like Congress, which has already imposed an employer mandate on the American taxpayers for their health insurance. Dynamic companies like Starbuck's Coffee and Safeway Supermarkets find that shared responsibility with their workers creates loyalty and saves the company money in the long run. Hawaii has had shared responsibility for years -- small buisiness is thriving, unemployment is low, and premium costs are 30% less than they are on the mainland.

The Mitchell bill ends job-lock -- you can take a better job without worrying that you'll lose your health care. And welfare mothers won't have to worry about putting their families at risk if they take a low-wage job. They can get off the dole and get insurance.

The Dole Plan: Republican alternatives will cause 30% of small businesses to drop insurance coverage because of high costs. Companies that take responsibility for their employees end up paying three times -- once for their emloyees, once for employee

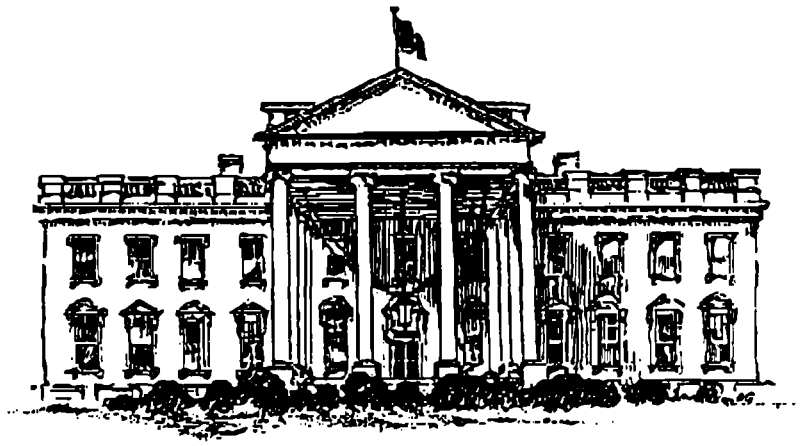
spouses who work but don't get health care, and once for people who don't have coverage at all, but whose health care costs get shifted onto those who carry their weight.

Republican half measures dig the welfare trap deeper, and could lock millions into jobs they don't want.

Myth: We're moving too fast.

Reality: **The American people cannot afford to wait another 60 years.** This issue has been debated for sixty years, studied to death and been the subject of over a thousand Congressional hearings. And the Democratic bills would both be phased in over a period of years, to make sure it's done right.

The Republican Alternative: Sixty more years.



THE WHITE HOUSE

To: Klein, Jennifer Date: 9-27-94

From: Kelcey Kintner Page 1 of 4

CABINET LINE
September 27, 1994

Qs and As

Q. Given the inability to pass legislation this year, will the President abandon his universal coverage pledge or will he come back next year and fight for universal coverage?

A. The President still believes that every American deserves health care coverage. And we're going to do everything possible to assure that Americans have health care coverage when they need it. And we're going to do everything possible to control escalating health care costs.

The American people still overwhelmingly support universal coverage. The latest NYT/CBS News poll (September 8 11) stated that nearly 70% of the public believes that every American deserves health care coverage. We must continue to fight for what the American people clearly want. And we will be back next year.

Q. Will the President introduce a bill as complex as the Health Security Act next year or will he go for a more scaled-back, perhaps politically more realistic bill?

A. We cannot say precisely what will happen next year, but we can say that we will be back. This fight is far from over.

It is worth a moment to step back and look at the progress that has been made this year. We have come further along than ever before in this nation's history in the fight for reform. We successfully moved comprehensive health care legislation through four Congressional committees and to the floor of both Houses.

We knew this journey would have some rough spots in the road. And today is certainly one of them. But this journey is far from over. We will get this job done. And we will do it right.

Q. There have already been many retrospectives on health care detailing what went wrong. What do you think went wrong?

A. We certainly knew that reform was going to be difficult. Anytime you challenge those who want to protect the status quo, you face an uphill battle. Special interests succeeded in classic Washington style - spending at least $300 million, according to Newsweek, to try and stop health care reform. Interestingly enough, although the special interests succeeded in scaring the public - confusing them about whether they would be able to see their own doctor and whether the health care system would be turned into a giant government bureaucracy. - they failed to convince the American public that the fundamental goals of universal coverage and cost containment were wrong.

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It is also no secret who is responsible for the halting of action this year on health care reform. The President asked Republican leaders to come to the White House last week, and they told him they would hold up GATT and other legislation if they had to deal with health care reform.

It's a shame that partisan politics has stalled legislation so important to the American people. Some Republicans clearly set out to defeat health care reform. Senator Packwood, the Republican's leader on health care, said: "We've killed health care reform. Now we've got to make sure our fingerprints are not on it."

Q. What would you have done differently? There has been a good deal of criticism about the White House's role in health care - the task force process was chaotic; the bill was too complex; the bill was politically naive; the White House should have taken a more active role during the Committee process. Were mistakes made?

A. Any time you take on a major challenge like health care reform - where special interests have led a 60 year battle to defeat it and others engage in a senseless game of partisan politics you know the road is going to be difficult. Much work went into reform this past year and a half, and much work remains to be done. Did we make mistakes? Of course we did. That's to be expected. But we are not going to dwell on the past. We will take the lessons we have learned and we will come back. This fight is far from over. We must and will get the job done?

Q. Everyone, including your own party, projects that there will be Democratic Congressional losses this year. If you couldn't get legislation passed this year, how do you expect to get anything passed next year in a new Congress with fewer Democrats?

A. The American people want Congress to come back and tackle reform and they should. Three out of four Americans say major changes to the system are necessary. The American people will not stand for inaction from a new Congress. The American people have been bombarded with misinformation and they are rightfully confused. But the one thing they are not confused about is who was responsible for halting reform this year. The public has learned that special interests and those engaged in playing partisan politics will do whatever they can to protect the status quo.

Page 3

Q. You say that the American people want reform. Then why didn't it happen? And why did the public support for your plan drop so dramatically?

A. Opponents of reform, the same interest groups that have historically opposed change, waged an all out war to protect the status quo. Although they failed to convince the American public that the fundamental goals of universal coverage and cost containment were wrong, they succeeded in scaring and misleading the public that my bill and the bills proposed by various Congressional Committees would threaten what they like about their own health care. They blatantly misled the American people spending an unprecedented $300 million in the process.

Q. The Administration dedicated an enormous amount of resources to health care. Will you put the same amount of resources into the fight next year? Will there be a "War Room" like effort? Will Ira Magaziner continue in his health care role?

A. This Administration will continue to fight for reform just as the President will continue to fight to improve the lives of hard working Americans. The Administration, along with countless individuals and members of Congress, have put a great deal of hard work into the fight for reform. But there are other important issues still left for this Congress to do and we need to focus on them. And we will obviously be continuing the focus on the November elections.

Given the work that remains to be done this session, we have not made decisions on how to proceed next year on health care. Much of the focus of the last year and a half has been on thinking through and developing comprehensive legislation to reform the nation's health care system. The process involved many people who dedicated many hours to moving forward on reform. Their work will make it easier to continue to fight next year. The resources do not need to be as extensive next year given the groundwork that was laid this year.

The First Lady has played an extraordinary role in elevating the debate and educating the public. She has received high marks for her ability to speak directly to the American people about health care reform. She will continue to be involved in the health care reform effort. The First Lady deserves enourmous credit for moving this debate forward. Ira will continued to be involved.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release September 26, 1994

Statement by the President on Health Care Reform

Today Senator George Mitchell reported that he sees no way to pass health care reform in this session of Congress. He and the bipartisan group of Senators have been doing their best. But he cannot find the 60 votes needed to overcome the Republican filibuster.

I am very sorry to say that this means Congress isn't going to reform health care this year. But we are not giving up on our mission to cover every American and to control health care costs.

When I addressed Congress a year ago, I said our journey to health care reform would have some rough spots in the road. Well, we've had a few. But this journey is far, far from over.

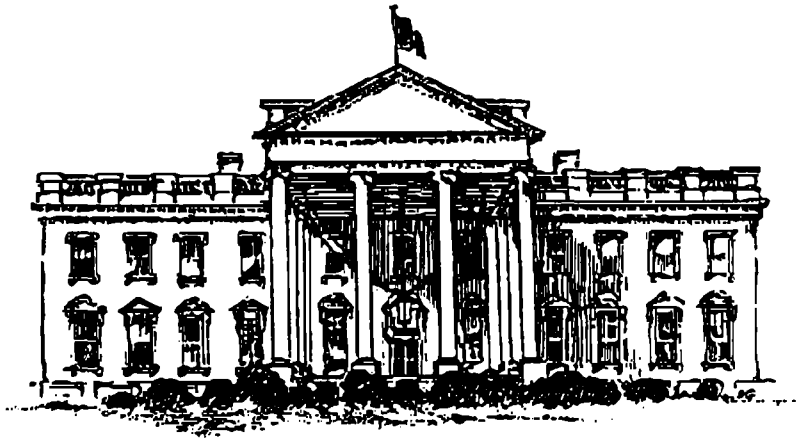
Some Republican leaders keep saying: "Let's put this off until next year." I am going to hold them to their word. We have reached out to Republicans, and we will continue to do that. But we are going to keep up the fight against the interests who spent $300 million to stop health care reform. We will fight for campaign finance and lobby reform so these special interests do not continue to obstruct vital legislation and we will return to the fight for health care reform. There is too much at stake for all the American people and we have come too far to just walk away now.

Although we have not achieved our goal this year, Hillary and I are proud - and our allies should be proud as well - that we were able to bring this debate further than it has ever progressed before. For solid, smart and important reasons, the ordinary working families of America expect their elected leaders to pass health care reform:

*If we don't act, the deficit we have worked so hard to contain will balloon again over time.

*And, most important, millions of Americans still won't be able to count on coverage when their families need it. Every month that we don't act, 100,000 more Americans will lose their coverage. They will join the five million Americans who lost theirs in the last five years.

For their sake, and for the sake of those who touched us during this great journey, we are going to keep up this fight and we will prevail.



THE WHITE HOUSE

To: Klein, Jennifer Date: 9-14-94

From: Kelcey Kintner Page 1 of 4

CABINET HEALTH LINE
SEPTEMBER 14, 1994

Health Care Talking Points

Key Points from NYT/CBS Poll:

* While only 40% approved of the President's handling of health care, most people still believe in the President's goal. 68% still think it is very important that every American receives health care coverage.

* 68% said they would be disappointed if Congress did not pass a health care bill this year. 57% said Congress should try for minor changes this year, but at the same time 50% said the President should veto a bill that does not cover everyone.

* Respondents thought that the Democrats were more likely to improve the health care system (49% to 26%)

While most Americans still want a major change in health care, many remain confused and spread the blame. People respond most frequently that special interests are to blame - this is supported by this week's Newsweek poll. The Newsweek poll also stated that only 9% of Americans blamed the President, another 9% blamed the First Lady. The insurance industry and Congressional Republicans received the majority of the blame. Almost half of Americans (49%) think the main goal of health care reform should be guaranteeing basic medical coverage to all Americans.

Q. What did the President tell the leadership today about the future of health care?

A. This meeting was the usual touch base meeting following Congressional recesses. There were a variety of issues discussed including health care. The commitment remains to continue to move forward on health care.

Q. According to a memo from Ira Magaziner that is cited in today's Washington Post, Magaziner warned that a reform plan based on the President's campaign pledges would be widely criticized. If the Administration was aware of all of the pitfalls, why did it do so little to avoid against the criticism?

A. No one ever said that health care reform would be easy. That's why it has taken sixty years to get as far as we have come. Special interests have historically fought against reform spending countless amount of money to scare and misinform.

Q. It seems that universal coverage, if not health care reform itself, is dead this year. If anything can pass, what will the Administration support?

A. This Administration is still fighting for health care reform. It has taken sixty years to come as far as we have gotten and this is not the time to turn back. We are committed to providing health security to American families and controlling health care costs.

We will continue to work with Senator Mitchell, Speaker Foley and Rep. Gephardt to give the American people affordable and quality health care that they want and they deserve.

Q. Will the President sign something that provides a small step forward like covering children or perhaps does some insurance reform even though he has said that reform in the absence of universal coverage will do more harm than good?

A. Health care discussions are ongoing in the Congress. We are not going to prejudge what they are doing. Let's let them do their work. Again, the President has said all along that he wants to make sure that whatever is done works.

Q. What about the Kids First proposal that is being discussed on the Hill?

A. Obviously everyone is concerned about protecting our nation's children. That's why children were a major part of the President's plan. Senator Kennedy and Senator Moynihan's bills, Majority Leader Mitchell's bill and Majority Leader Gephardt's bill. This and other proposals are being discussed in Congress. We're encouraged that they are continuing their discussions and are not going to prejudge their work.

Q. What about the concept of a sin tax to pay for covering children? Is this something the Administration would accept?

A. Again, let's see what the Congress develops. Everyone knows that the President had a tobacco tax in his proposal and the bills pending in Congress also have a tobacco tax.

Q. The President said during the State of the Union address that he will veto any bill that does not provide guaranteed private insurance for every American that can never be taken away. Will the President uphold that veto threat if a bill comes to his desk that does not provide for universal coverage?

A. The President and this Administration believe that every American deserves health care coverage. This is a process that is evolving. Senator Mitchell stated before the Senate left for its August break that health care will be the top priority for the Senate when it returns. Members of the Senate and their staffs have been in discussions on heath care during the recess. We have to let these discussions go forth. We should not prejudge them.

As the President has said all along, he wants something that works. He wants to make sure that whatever is passed does more good than harm.

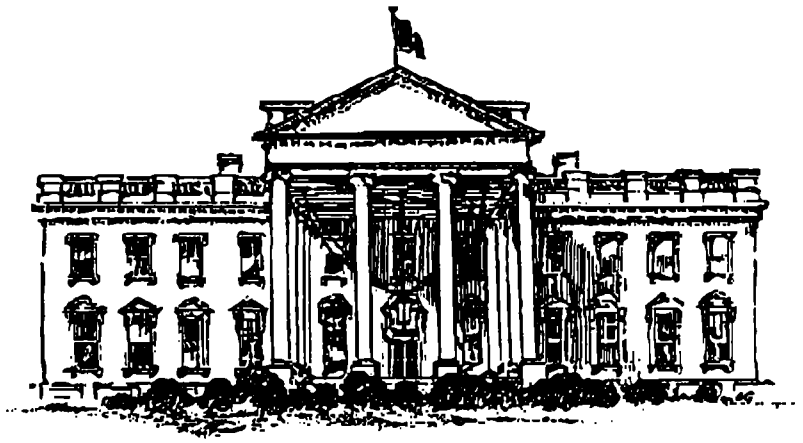
Q. Rep. McDermott and others are saying that health care should be delayed until next year. The clock is certainly running against you. Why not just put this off until next year?

A. The Administration will continue to work with Senator Mitchell, Speaker Foley and Representative Gephardt to give the American people affordable and quality health care they want and deserve. The American people have waited 60 years for reform. Each year that Washington delays means more people are left without real health security. This Administration is not ready to give up the fight for real reform.

Q. Why do you think health care reform has for all practical purposes died for this year?

A. First, I'm not ready to say that it is dead for this year. If nothing is done, it will be in large part due to the historic opponents of health care reform. Hundreds of millions of dollars have been spent to misinform and scare the American people. Well-financed special interests have fought for sixty years to kill health care reform and they have waged an unprecedented, intense battle over the past year. And yet, because of the will of the President, along with the courage of some members of Congress who were willing to put the interests of the American people before their own political interests, we have come further along than at any other time in our nation's history.

We will continue to fight. This is a President who does not give up easily. He did not give up on NAFTA, on the fight for his economic plan, or the battle to pass the toughest, smartest crime bill in history. President Clinton and the First Lady deserve enormous credit for bringing health care to the forefront of national debate.



THE WHITE HOUSE

To: Klein, Jennifer Date: 8-15-94

From: Goldberg / Kintner Page 1 of 4

Cabinet Talking Points

Week Of August 16-20, 1994

Protecting the American People vs. Protecting the Special Interests: A Clear Choice

Our most vital message this week is that this Administration remains steadfast in its fight for the security of hard working Americans. The Clinton Administration is fighting on many fronts for the security and well-being of the American people. Yet, the super-lobbies and special interests -- along with some Republicans who have put politics ahead of progress -- are fighting against the crime bill and fighting against health care reform. They have put their own interests ahead of the American people and are working to deny Americans safety and security in their neighborhoods and health security for their families. This Administration is not going to sit by and watch that happen -- now is not the time to play politics with the lives of the American people. We are going to fight for hard working Americans. We are going to stand up for their security.

Fighting to Protect the American People. The Clinton Administration will continue to fight for the protection and security of American families. We are fighting so parents will know their children are safe from guns and violence, and families will know they are protected from fear of being one job loss or one illness away from losing their insurance. The legislation now before Congress will help do these things. That's why the American people overwhelmingly support both the Crime Bill and health care reform that strengthens health insurance and gives families the security of health care that will be there when they need it.

Making History for American Security. We have a chance to make history. For six long years, Americans have waited for Washington to help make their neighborhoods safe again. The Crime Bill now before Congress will do that -- putting 100,000 new cops on the beat, making "three strikes and you're out" law, and banning deadly assault weapons. And for 60 years, Americans have waited for real health care protection that would provide choice and quality, while ensuring that coverage will be there when they need it. The health care legislation before Congress will do that -- closing profitable loopholes, strengthening health insurance and providing every American choice of doctors, quality care and a rock

solid guarantee that insurance coverage will be there when they need it. And if six years is too long to wait for a crime bill, 60 years is certainly long enough to wait for health care reform.

Some Folks Just Want to Protect the Special Interests. But look at what's going on in Washington these days. The NRA, one of the nation's most powerful and wealthy special interest groups, has joined the Republican leadership, in an attempt to block the toughest federal attack on crime in history through petty procedural trickery. If Congress allows itself to be manipulated into protecting the special interests, they will fail to protect the safety and security of American families.

Sound Familiar? It Should. The "super-lobbies" like the Health Insurance Industry and NFIB have joined partisan Republicans in an attempt to block the best opportunity in our nation's history to guarantee every American affordable health care. If Congress allows itself to be manipulated into protecting the special interests, they will fail to protect the health security of American families. In short, they will have put their own interests ahead of the greater interests of the American people.

Keep up the Pressure on Congress. We will not allow Congress to take the easy way out. We will keep up the pressure until they make the right choice on crime and the right choice on health care. Enacted together, these measures will go a long way towards providing security for families across America. We will keep up the fight against powerful special interests in order to make sure Congress stands up for the protection and security of ordinary Americans.

The Dole Plan: If You're Not a Member of Congress... You're Out of Luck

Solid Insurance vs. Loophole-Ridden Insurance

Right now, Bob Dole and all his co-sponsor Senators have the security of real insurance -- private insurance without loopholes or fine print. Young, old, healthy, sick, every federal employee pays the same price for the same health plan. And even if they get sick during the course of the year, their rates don't go up; they still pay the same premiums as everybody else. And pre-existing conditions are covered -- the brochure describing the federal plan says that *"Plans cannot exclude coverage for any pre-existing conditions or illnesses your family may have when you enroll."*

The Dole plan allows insurance companies to continue to raise rates unchecked, and to charge older people three to four times more than younger people. Some small businesses will continue to pay more than others, and some families more than other families. You could still work hard, pay your premiums, and have medical bills sent back "not covered". Millions would still have phony, fly-by-night insurance, and an estimated 30 million Americans would have no coverage at all.[Lewin-VIII, July 1994]

Guaranteed Choice of Plans vs. No Guarantee of Choice:

Members of Congress -- not their employer -- get to choose the private insurance plan best for their families. And if they don't like the plan they're in, they get the opportunity to change once a year.

The Dole plan does not guarantee that all families would have a choice. If you're employer covers only one plan, and that plan doesn't include your doctor, you're out of luck.

Comprehensive Benefits vs. Insurance Companies Deciding What to Cover

Members of Congress typically enroll in plans like the Blue Cross Standard Plan, which has a guaranteed benefits package including hospital and physician services, emergency care, mental health and substance abuse benefits, maternity care, and prescription drugs.

While the Dole plan describes a standard benefits package (called the FedMed package) and says that every health plan has to offer that option, insurance companies could still sell dozens of other packages that exclude the benefits people need. [Dole Bill Sec. 21115 (a) p.85] This allows insurance companies to effectively deny coverage of certain illnesses by structuring benefits packages to not cover certain treatments. Millions of Americans will continue to face the nightmare of insurance claims coming back: "Sorry, not covered."

Doesn't every working family deserve what Congress has?

Today, members of Congress have true health security -- they get to pick their own doctor and health plan, pay a fair price for insurance, and their employer -- the taxpayers --picks up most of the cost. They can change plans if they want, and are never denied coverage for pre-existing conditions. ***Doesn't everybody deserve that kind of insurance?***

Private Coverage from their Employer

Members of Congress have their health coverage provided on the job, and most of the premium (72% on average) is paid for by their employer -- the taxpayers.

Hundreds of Plans to Choose from:

Members of Congress -- not their employer -- get to choose from hundreds of insurance plans. They are able to pick from 14 different fee-for-service plans and more than 200 health maintenance organizations -- a total of 300 plans nationwide, and more than a dozen in every district.

The Opportunity to Pick a New Plan Every Year:

Members of Congress and their families can choose a new plan once a year during "open season". A guide to the plan says: *"You may switch plans to lower costs or gain the best coverage for your condition, and use that coverage at the beginning of the year."*

Comprehensive Benefits

Members of Congress typically enroll in plans like the Blue Cross Standard Plan, which has a guaranteed benefits package including hospital and physician services, emergency care, mental health and substance abuse benefits, maternity care, and prescription drugs.

Community Rating

Right now every member of Congress -- young, old, healthy, sick, -- pays the same price for the same health plan. And even if they get sick during the course of the year, their rates don't go up; they still pay the same premiums as everybody else.

The youngest member of Congress and the oldest pay the same price for the same benefits.

No Denials for Pre-existing Conditions

The brochure describing the health benefits for members of Congress says that *"Plans cannot exclude coverage for any pre-existing conditions or illnesses your family may have when you enroll."*

CABINET HEALTH LINE
AUGUST 18, 1994

The Administration is completely committed to passing comprehensive health care legislation this year. We will continue to fight to bring health security to every American that can never be taken away. We want ordinary Americans to have the same guarantee of private insurance currently enjoyed by Canbinet Secretaries, members of Congress and federal employees. The Dole proposal does not offer that security.

Today Secretary Shalala, Secretary Reich and Secretary Ron Brown will announce a series of press conferences highlighting the positive provisions of the Mitchell Bill. The following is a tentative schedule for these Cabinet press conferences:

Monday:	What the Mitchell Bill Does for **Nurses**
Tuesday:	What the Mitchell Bill Does for **Rural Americans**
Wednesday:	What the Mitchell Bill Does for **Older Americans**
Thursday:	What the Mitchell Bill Does for **Business**
Friday:	What the Mitchell Bill Does for **Families**

Attached are talking points which outline the benefits of the Leadership Bills for small business and older Americans. Also attached is a comparison of the benefits received by federal employees and the Dole plan.

The Mitchell Bill Provides Strengthened Protection and New Benefits For Older Americans

- **Preserves Medicare.**
- Under the Mitchell bill, Medicare will be preserved and strengthened. Older Americans will continue to receive the same Medicare coverage -- with guaranteed security. Seniors can keep seeing the doctors they see today, with expanded benefits. And doctors and hospitals will no longer be able to charge more than what Medicare pays.

- **New prescription drug coverage.**
- The Mitchell bill adds prescription drug coverage to Medicare -- providing desperately needed protection for older Americans. Older Americans will get protection against prescription drug prices that represent their highest out-of-pocket medical cost. An annual cap will be placed on out-of-pocket prescription drug costs, and above this amount, drug costs will be fully covered.

- **Helps with home and community-based long-term care.**
- The Mitchell bill takes historic steps toward long-term care coverage, creating a new, $50 billion home and community-based long-term care program. It will help Americans who need long-term care live independently at home and in their communities -- which most older Americans, people with disabilities, and their families and friends prefer.

- **Improves the quality and affectability of long term care insurance**
- The Mitchell bill creates tough new standards that all private insurers selling long-term care policies must meet. It also clarifies tax rules so that long term care services and insurance premiums can be deducted from taxable income. And the plan establishes a federal long term care insurance program to cover the costs of extended nursing home stays. People will have the option to purchase coverage when they reach age 35, 45, 55, or 65.

- **Guarantees security to early retirees.**
- Under the Mitchell bill, American workers who retire early will not have to worry about losing affordable health insurance. Today many of these Americans are vulnerable -- dropped from their coverage and not yet eligible for Medicare. Under the Mitchell bill, insurance will always be secure and affordable.

- **Outlaws insurance company discrimination against older workers.**
- Today, insurance companies pick and choose whom they cover -- and they charge older workers far more than younger workers. These practices will be outlawed under Senator Mitchell's bill -- insurance companies can vary premiums by no more than 2.1. And no one can deny coverage to an older worker who's once been sick.

- **Enhances medical research**
- The Mitchell bill creates a special fund for academic health centers and medical research, which should mean increased commitment and research dollars for the fight against Alzheimer's disease, and other diseases that affect the elderly.

THE SENATE BILL: POLICY ON SMALL BUSINESS

Today, small businesses have a hard time finding affordable insurance and offering their employees any choice of health plans. They are often discriminated against by insurance companies, charged higher prices than large businesses, or denied coverage altogether. The Senate bill contains provisions to improve small business access to insurance, make sure that insurance is more affordable, and give employees of small businesses the same choices as all Americans.

I. INCREASED ACCESS

The bill reforms the insurance market to eliminate some of the policies which have been traditionally used to discriminate against small business.

- *Guaranteed Issue:* Health plans cannot deny coverage to any eligible group.
- *Guaranteed Renewability:* Health plans must renew all eligible groups [i.e., can't drop a company.]
- *Elimination of Pre-Existing Condition Exclusions:* Pre-existing conditions will be phased out and eventually eliminated.
- *Eliminates Experience Rating:* Health plans will no longer be able to charge small businesses more based on the health status of their employees.

II. SHARED RESPONSIBILITY

- **Shared Responsibility Only As A Back-Up:** A requirement for shared responsibility will only go into effect if 95% of the population is not covered by the year 2000. The CBO predicts that the Mitchell bill will *"meet its target of 95% coverage"* by 1997, using market forces and subsidies. Only if this goal has not been met will a 50-50 employer-individual mandate go into effect in 2002 in states with less than 95% coverage and then, only if Congress has not acted on the recommendations of a Coverage Commission.

- **Small Business Exemption:** Even if the back-up plan does go into effect, **firms with fewer than 25 employees will be exempted from any requirement to contribute.**

- **Subsidies for Expanding Coverage:** Employers who expand coverage to all employees within a class -- i.e., part-time or full-time -- will be eligible for subsidies for currently uninsured employees, beginning in 1997 and available for 5 years. Firms paying 50% or more of the premium receive a subsidy for any amount above 8% of the newly-insured employee's wages, up to 50% of the premium.

III. AFFORDABILITY

- **Purchasing Cooperatives:** Requires states to establishes voluntary purchasing cooperatives to increase bargaining power of small businesses. Plans sold through the cooperative would be sold at a community rate.

- **Community Rating:** Modified community rating would apply to health plans sold to groups of 500 or less. That means that all businesses pays the same price, adjusted only by a 2.1 age band (eliminated in 2002).

- **Self Employed Tax Deduction:** Beginning in 1996, the self-employed tax deduction is increased from 25% to 50% of health insurance premiums. This is the amount of the employer contribution that would be required if the back-up system of shared responsibility goes into effect.

IV. EXPANDED CHOICES

Small employers (with fewer than 500 employees) would have several choices of insurance to offer their employees (with no requirement to contribute, except as a potential back-up beginning in 2002).

- They must offer their employees the option of purchasing coverage through a voluntary purchasing alliance, consolidating their bargaining power with other businesses to get the most choices and the lowest prices. The purchasing cooperative will have to offer a minimum of three plans, including a fee-for-service plan.
- And, they may offer a minimum of three private insurance plans -- a fee-for-service plan, a managed care plan, and a point-of-service plan -- in addition to the choices offered under the purchasing cooperative.
- Employees of small firms (with fewer than 500 employees) may always choose coverage under the Federal Employees Health Benefits Program [FEHBP], which today offers over 300 choices nationwide.

V. OTHER PROVISIONS RELEVANT TO SMALL BUSINESSES

- **Independent Contractor:** Before January 1, 1996, the Treasury Department will submit a legislative proposal providing statutory standards for the classification of workers as independent contractors.

- **Subchapter S Corporations:** All 2% shareholders who provide significant services to S Corporations will include as net earnings from self-employment the lesser of: a) their net share of income from the trade or business, or b) 30% of the Social Security wage base ($18,200).

- **Reform Health Care Part Of Workers' Compensation:** A Commission will be established to study the issues related to the relationship between health plans and workers' compensation medical services. The Commission will report to the President, as well as the House Education & Senate Labor and Human Resources Committees, by 10/1/2000. The plan also authorizes a number of state demonstration projects with respect to work-related illnesses and injuries.

THE SENATE BILL: GOOD FOR SMALL BUSINESS

SUMMARY: *The Senate bill makes important changes to increase protection for small business. The leadership listened to small businesses owners -- and the new legislation goes to great lengths to address their concerns -- with greater flexibility, more choices, extra incentives to buy insurance, and a longer phase-in to make sure we do things right.*

SMALLEST BUSINESSES EXEMPTED FROM SHARED RESPONSIBILITY:

- Under the Senate bill, small businesses with 25 or fewer employees will be exempted from any requirement to contribute to their workers' insurance -- and they will have a more accessible, affordable system if they choose to provide insurance. If these firms choose not to provide coverage, their eligible employees will be given subsidies to help them purchase insurance on their own.

PROHIBITS INSURANCE DISCRIMINATION AGAINST SMALL BUSINESSES:

- The bill eliminates insurance company practices that make small businesses pay much more for insurance than larger firms. Insurance companies will be prohibited from dropping firms or denying them coverage. Pre-existing condition exclusions -- used to deny small businesses insurance today -- will be phased-out. The variations in rates that characterize the small business market today will be reformed; all businesses will pay the same "community" rate, adjusted only by a 2:1 age band.

OFFERS SMALL BUSINESSES BARGAINING POWER TO GET BEST RATES:

- The bill offers small businesses voluntary purchasing alliances, to give them the same negotiating power that allows large firms to get the best rates and the most choices today. This will also reduce the administrative burden on small businesses, who today pay eight times what large companies do for this.

INCREASED INCENTIVES FOR BUSINESSES TO EXPAND COVERAGE:

- Employers who expand coverage to a new class of employees -- i.e., part-time or full-time -- will be eligible for subsidies for currently uninsured employees, beginning in 1997 and available for 5 years. Firms paying 50% or more of the premium receive a subsidy for any amount above 8% of the newly-insured employee's wages, up to 50% of the premium.

MORE CHOICES FOR SMALL FIRMS AND THEIR EMPLOYEES:

- Employees of small businesses will finally get the choices they've been denied in the current system. They may join the federal employees health care system -- a proven system with over 300 choices nationwide -- or choose from the range of options offered by the purchasing cooperatives their employers must offer them. And their employers may also choose to offer them a choice of three plans -- one of which must be a fee-for service plan with unlimited choice of doctors.

IN CONTRAST -- INCREMENTAL REFORM STILL BURDENS SMALL BUSINESS:

- A recent study in Health Affairs concluded that. *"For those who have suggested that the best policy may be to muddle through with only small, incremental changes, our analysis suggests that... **in the years ahead, 30 percent of small businesses currently providing insurance will drop their insurance coverage because of the high cost.**"* [Health Affairs, Spring 1992]

Excerpts from Senator Mitchell's Remarks on the Floor of the Senate, August 17, 1994.

Doesn't Every American Deserve What Congress Has?

- "My bill does not provide for a government run health insurance system. It provides for a voluntary system by building on the current system of private health insurance and in fact, it abolishes a large, government run program, Medicaid, and folds it into the private system. It is simply inaccurate to describe it as a government-run program. It is not.

- "I hope the American people will not be fooled by the rhetoric they are hearing... And I hope the American people will also think about the irony of these Republican Senators getting up here day after day and denouncing government health insurance as bad for their constituents, even as they benefit from it themselves as individuals and for their families. Every member of this Senate participates in the government-run health insurance system that is available to all federal employees, and the government pays 72 percent of the cost of the health insurance for these Republican Senators who are standing here telling their constituents that it is bad for them....

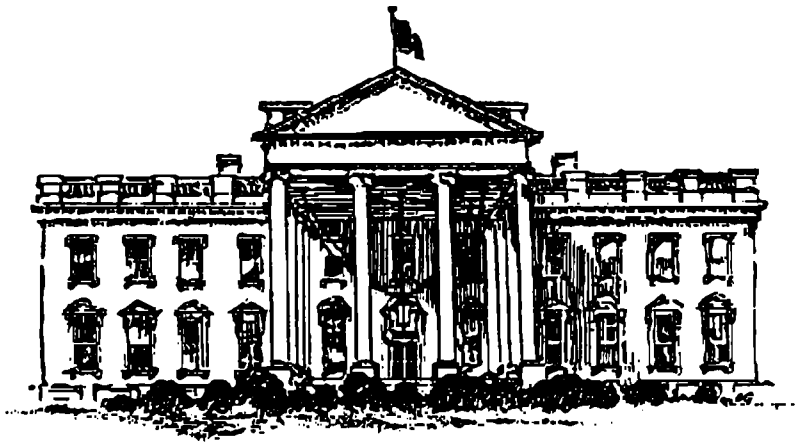
- "The American taxpayers, are paying through the government 72 percent of the cost of health insurance in a government-organized health insurance system for the very Republican Senators who are now telling you that you should not want Government run health insurance. You are entitled to ask yourself: If it is so bad for you, why is it so good for them and their families? And if they really believe it is bad for me, why do they not drop out of it for them and their families and put themselves in the same position I am, an average American who doesn't have access to it?

- "Mr. and Mrs. America, leave aside politics. Leave aside health care. When a fellow walks up to you and says, 'I've got something, and its good for me and my family, but you really don't want it for your family' -- you ask yourself -- who is he thinking about? You or him?

- "This debate has not been about health care reform. This debate has been about slogans. When the first Republican Senator stands up and says I believe so much in my conviction that government health insurance is bad that I am going to withdraw myself and my family from the governement-organized health insurance system and I believe so much that government health care is so bad that I am going to promise if I get sick never to talk to a government doctor and, if I have to go to the hospital, never to go to a government facility, when that happens, pay attention to what they say thereafter. But, until that happens, you can take what is being said as slogans, separated from the reality of daily lives. If they want it for their kids, if they insist on having it for their kids, if they will keep it for their kids, then why is it so bad for your kids?

- "My bill is not a government health insurance system. It is the opposite. It is a private system, voluntary, in which people are encouraged to purchase private health insurance.

And I have mentioned this debate about individuals and health insurance...to make the point of the inconsistency of the arguments being made by our collegues."



THE WHITE HOUSE

To: Klein, Jennifer

Date: 8-17-94

From: Kintner/ Goldberg

Page 1 of 3

CABINET HEALTH LINE
AUGUST 17, 1994

The following is a comparison of the key points of the Mitchell Plan & the Dole Plan. For the next ten days, the Cabinet will be participating in press conferences which highlight the positive provisions in the Mitchell Plan. These press conferences will include the benefits for Rural Americans, Providers, Older Americans, Businesses and Women. We must continue to focus on how the Mitchell Plan will provide health security for every American that can never be taken away.

THE MITCHELL PLAN

STRENGTHENS THE HEALTH INSURANCE AMERICANS HAVE

PROTECTS CONSUMERS FROM HAVING THEIR INSURANCE SNATCHED AWAY
- Pre-Existing Condition Exclusions Phased Out
- No More Sudden Rate Hikes

STRENGTHENS CONSUMER CHOICE
- Guaranteed Choice of Doctor and Plan

STRENGTHENS BENEFITS
- Guaranteed Comprehensive Benefits
- Guaranteed Preventive Care

STRENGTHENS COVERAGE FOR OLDER AMERICANS
- Prescription Drug Coverage for Older Americans
- Long-Term Care
- Limits How Much Insurance Companies Can Charge Older Americans

PUTS AMERICA ON THE PATH TO UNIVERSAL COVERAGE
- Claims Children First, Bringing Health Insurance to 9 Million Children
- Covers 95% of All Americans By 1997 By Making Insurance Affordable to Working Families,
  Small Business and the Unemployed
- Commits America to Universal Coverage

Mitchell Plan's Message to America:
"On Your Side"
"Insurance is Not a Game of Chance"
"Real Insurance Value"

THE DOLE PLAN

WEAKENS THE INSURANCE AMERICANS ALREADY HAVE

PROTECTS INSURANCE COMPANIES

- Pre-Existing Condition Exclusions Still Allowed
- Insurance Companies Allowed to Jack-Up Rates

WEAKENS CONSUMER CHOICE

- No Guaranteed Choice of Doctor or Plan

WEAKENS BENEFITS

- Insurance Companies Decide What's Covered and What Isn't
- No Guarantee of Preventive Care

WEAKENS COVERAGE FOR OLDER AMERICANS

- No Prescription Drug Coverage for Older Americans
- No Long-Term Care
- Allows Insurance Companies to Charge Older Americans Twice as Much

NO PATH TO UNIVERSAL COVERAGE

- No Commitment to Children
- Millions Will Lose Their Insurance Every Month, and 30 Million Will Remain Without Coverage
- No Commitment to Universal Coverage

Dole Plan's Message to America.

"On Your Own"

"You're Out of Luck"

"Trickle-Down Insurance"

#4200: 8/17/94

REAL HEALTH CARE REFORM: MYTH VS. REALITY

Myth: There are 17 new taxes in the Mitchell bill

Reality: That's absurd. The Washington Post said that the Mitchell bill is "hardly tax-heavy."

The Dole Plan: Interestingly enough, the Washington Post says that "Dole's plan might surprise some Republicans for the new government involvement it contains."

Myth: The Mitchell bill contains 20 new bureaucracies

Reality: More scare tactics from the Republicans. The fact is: the House and Senate bills build on the existing, private-sector system and state administrative systems..

The Dole Plan: Loopholes, loopholes, loopholes. More of the same bureaucracies we have now. Hospital Administrators chasing paper trying to master 1500 different insurance forms; doctors and nurses squinting at fine print to see if the treatment you need is covered, vast "human resources" departments at big companies trying to find what's best for their employees and cheapest for them -- and for 39 million uninsured, lengthy and expensive bankruptcy proceedings if they get sick.

Myth: The Mitchell bill will force the young to pay for the old.

Reality: Discriminatory premium pricing will end. With universal coverage, costs will brought under control and older workers will no longer be forced to pay premium costs several times higher than younger people.

The Dole Plan: Seniors will pay three to four times what young people will pay. And without shared responsibility and universal coverage, rates for everybody will go up.. By one estimate, Republican half-measures will cost insurance buyers $28 billion a year.

Myth: The Mitchell bill will hurt the middle-class.

Reality: For most middle class families with insurance, premiums will go down. families who can't get insurance now will now get the same security Congress has. guaranteed private coverage that can never be taken away.

The Dole Plan: 24 million Americans will go without coverage -- more than 75% of the in working families. And a million working people a month will be pushed out of the system.

Myth: Big Brother will run the health care system.

Reality: People will run the system, as private insurance companies compete for their business. And with the fine print and hedges gone, consumers without a law degree will finally be able to compare the price and value of competative plans. The federal employees Blue Cross/Blue Shield package will be used as a benchmark -- the government does not set out specific descriptions of a standard benefits package.

The Dole Plan: The insurance companies will run the system. Fine print, high profits, and they decide who to cover -- you may or may not meet their standards. With at least 25 million Americans left uncovered, insurance reform is a pipe dream.

Myth: Shared responsibility will kill jobs.

Reality: Shared responsibility is the American way. Nine out of ten people with private insurance already get it through the workplace -- just like Congress, which has already imposed an employer mandate on the American taxpayers for their health insurance. Dynamic companies like Starbuck's Coffee and Safeway Supermarkets find that shared responsibility with their workers creates loyalty and saves the company money in the long run. Hawaii has had shared responsibility for years -- small buisiness is thriving, unemployment is low, and premium costs are 30% less than they are on the mainland.

The Mitchell bill ends job-lock -- you can take a better job without worrying that you'll lose your health care. And welfare mothers won't have to worry about putting their families at risk if they take a low-wage job. They can get off the dole and get insurance.

The Dole Plan: Republican alternatives will cause 30% of small businesses to drop insurance coverage because of high costs. Companies that take responsibility for their employees end up paying three times -- once for their emloyees, once for employee

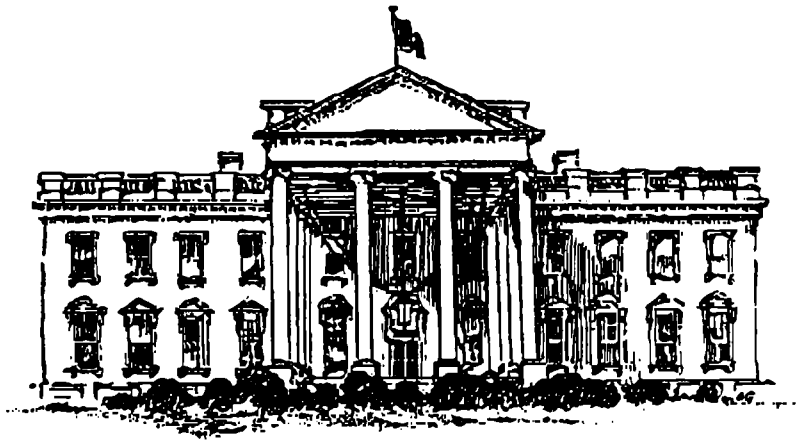
spouses who work but don't get health care, and once for people who don't have coverage at all, but whose health care costs get shifted onto those who carry their weight.

Republican half measures dig the welfare trap deeper, and could lock millions into jobs they don't want.

Myth: We're moving too fast.

Reality: **The American people cannot afford to wait another 60 years.** This issue has been debted for sixty years, studied to death and been the subject of over a thousand Congressional hearings. And the Democratic biills would both be phased in over a period of years, to make sure it's done right.

The Republican Alternative: Sixty more years.



THE WHITE HOUSE

To: Klein, Jennifer Date: 7-1-94

From: GOLDBERG/KINTNER Page 1 of 5

The Economic Case For Universal Coverage

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

1) **Without universal coverage, the hard working middle-class is left behind.**
2) **Without universal coverage, every American remains at risk of losing their insurance.**
3) **Without universal coverage, the link between work and reward is broken.**
4) **Without universal coverage, we pay more to cover less.**
5) **Without universal coverage, insurance reforms won't work.**
6) **Without universal coverage, thousands of Americans will stay on welfare.**
7) **Without universal coverage, people with insurance will pay for those without insurance.**
8) **Without universal coverage, responsible businesses bear the burden for all workers.**
9) **Without universal coverage, billions will be wasted on expensive, last-minute care.**
10) **Experts Agree -- We Can't Get Cost Control Without Universal Coverage:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

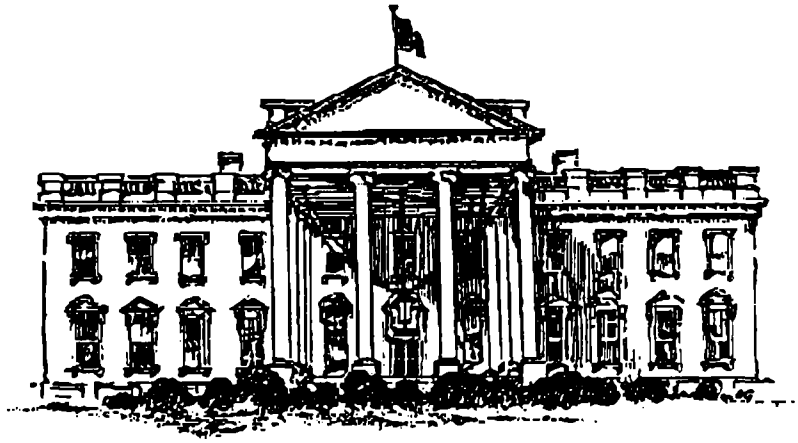
10) Experts Agree -- We Can't Get Cost Control Without Universal Coverage:

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

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

- **The Washington Post**: *"Universal coverage is not only a fair and noble objective, consistent with America's values: **it is also essential if health care markets are to work well.**"* [Editorial Page, 6/16/94]

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



THE WHITE HOUSE

To: Klein, Jennifer Date: 8-11-94

From: Kintner / Goldberg Page 1 of 5

The Bob Dole "You're Out Of Luck" Plan

If you're looking for secure health care....you're out of luck.
Unlike Senator Mitchell's plan, which provides universal coverage, the Dole plan provides no one guaranteed coverage, and would leave an estimated 30 million Americans with no coverage at all.[Lewin-VHI, July 1994]

If you're looking for affordable health care....you're out of luck.
The Dole plan allows insurance companies to continue to raise rates higher and higher each year, and to charge older people three to four times more than younger people. Some small businesses will continue to pay more than others, and some families more than other families. As his Republican Colleague John Danforth said of the Dole plan, "It creates a new entitlement and it doesn't have any cost control....I don't think we can do that."

Newsweek predicts the Dole plan *"will increase premiums for middle class people and could increase [the] number of uninsured."* [Newsweek, July 25, p. 19]

If you're a child with no insurance....you're out of luck
The Dole plan will continue to leave an estimated 30 million people with no coverage including 6.2 million children. In addition, there is nothing to reverse the trend among employers to drop back family coverage to covering only the worker -- leaving millions more children at risk of losing the coverage they have now.

If you lose your job....you're out of luck
Although the Dole plan theoretically allows people to "take insurance with them" when they leave a job (portability), this provision only helps those who can pay the full premium themselves. That is not realistic for most people, since they can't afford the full cost of coverage, especially if they are without a job. In fact, most workers have that protection now, either through state insurance laws or through COBRA coverage. But as a recent study by the Department of Labor shows, only one in five can take advantage of it -- the rest can't afford it.

Even Mr. Dole's Republican colleague, Mr. Chafee, admits that "I have great trouble seeing how you get portability without universal coverage."

If you're a small business....you're out of luck
The Dole bill continues to permit insurers to charge different rates to small employers because of the group's size.[Dole Bill Sec.9002(d)(1) p. 117] This discriminates against smaller employers, who already pay more as it is. And unlike the Mitchell proposal, there are no subsidies to help small businesses who can't afford coverage today afford it tomorrow.

If you're a senior.....you're out of luck.
The Dole bill takes significant money out of Medicare and does little or nothing for seniors - no prescription drug coverage, and pitiful help with long-term care.

The Bob Dole "The Insurance Company Protection" Plan

Protects Insurance Company Loopholes and Fine Print

While the Dole plan describes a standard benefits package (called the FedMed package) and says that every health plan has to offer that benefits option, it also allows insurance companies to offer any benefits package they want. [Dole Bill Sec. 21115 (a) p.85] This allows insurance companies to effectively deny coverage of certain illnesses by structuring benefits packages to not cover certain treatments. Millions of Americans will continue to face the nightmare of insurance claims coming back. "Sorry, not covered."

Sets a Community Rate -- Just Leaves Out the Community

Many of the insurance reforms in the Dole bill, modified community rating for example, apply only to the "community rated market" -- but there is no "community" in the bill's reform. Any employer can self-insure, so employers with young, healthy employees will likely stay out of the community-rated pool and provide insurance on their own. In addition, associations can opt out of the community-rated pool and buy as a group, leaving even fewer people in the pool. This "vicious spiral" will lead to very high premiums in the community-rated market and will encourage healthier people to drop coverage.

Mid-Size Businesses Could Face Large Premium Increases

Under the Dole Bill, many small to medium-sized companies would be left between a rock and a hard place -- too small to self-insure, but too large to get the benefits of insurance reform in the community-rated pool. An employer with 55 employees could have extremely high costs because of just one employee with a history of illness. They could see their rates jacked up based on one worker with a serious medical condition. For most firms in this category, insurance costs will continue to be high and unpredictable.

The Insurance Company Can Decide They Don't Want to Sell to Small Businesses

Insurance companies can decide that they want to avoid the small business sector altogether and refuse to sell insurance to any small businesses. Under the Dole plan, they could continue to deny coverage to small businesses.

Limits, but Doesn't Eliminate, "Pre-existing Conditions"

Senator Dole's plan limits, but does not eliminate, pre-existing condition exclusions. Under the Dole plan, insurance companies would still be able to deny coverage for pre-existing conditions for six months to a year.[Dole Bill Sec.21111, p.80-81] While most universal coverage plans use pre-existing condition limitations as a necessary transition tool before universal coverage is reached, the Dole bill never achieves universal coverage -- it never even comes close. Thus, there is no reason to believe the exclusions in the Dole bill will ever go away.

Insurance Companies Could Charge You Three to Four Times More Because You're Older

The Dole plan allows insurance companies to charge older workers three to four times more for insurance than younger workers, and twice as much as under Senator Mitchell's bill.

Americans with Insurance Would Still Be At Risk of Losing It

The real bottomline is that under the Dole plan, everyone remains at risk of losing the insurance they have now -- because under a non-universal system, no one is guaranteed protection. As Newsweek magazine reported last week, the Dole plan "will increase premiums for middle class people and could increase [the] number of uninsured." [Newsweek, July 25, p. 19]

The Bob Dole "Cheating Seniors" Plan

Raids Medicare and Gives Seniors Nothing Back

While other bills reduce the rate of growth in Medicare, the Dole Bill relies heavily on savings from the Medicare program to finance reform. The Dole bill gives nothing back to the older Americans that Medicare was set up to serve. No help with prescription drugs. Nothing but lip service on long-term care.

Forces Millions of Seniors to Choose Between Food and Medicine

The Dole plan does not add prescription drug coverage to Medicare -- giving millions of older Americans no help paying for costly prescriptions. Prescription drug costs are the highest out-of-pocket expense for three out of four seniors, and the Dole plan would provide no help, forcing millions of older Americans to continue to choose between food and medicine. More than 31 million Americans under age 65, and 18.5 million Americans over age 65 would be denied prescription drug coverage under the Dole bill. [NCSC, "Six Reasons the Dole Bill is Bad for Seniors," 7/94] That's just one reason the AARP calls the Dole bill *"a harmful prescription for older Americans"*

Leaves Older Americans in Need of Long-Term Care at Grave Risk

Unlike Senator Mitchell's proposal, which invests $50 billion in a new home and community-based long-term care program, the Dole bill does next to nothing for long-term care. Older Americans in need of assistance will continue to face no choice but to enter nursing homes.

Discriminates Against Small Companies With Older Workers

Small firms with more than 50 employees will remain at the mercy of insurance companies who charge higher rates for older workers, higher rates for sicker workers, and raise rates when even one employee gets sick. This means older workers will have their jobs at risk when their employers look at their insurance premiums.

Insurance Companies Could Charge Older Americans Three to Four Times More Than Those Younger, and Double What They'd Be Charged Under the Mitchell Plan

The Dole plan allows insurance companies to charge older workers three to four times more for insurance than younger workers, and twice as much as under Senator Mitchell's bill.

HEALTH CARE REFORM DAILY FACT SHEET
THE TRUTH ABOUT REPUBLICAN CHARGES

Only two days into debate and already the Senate Republicans have thrown out numerous false statements and distortions about Senator Mitchell's bill.

TUESDAY, AUGUST 9

MYTH: Senator Dole: "The key issue in the debate is whether we will trade in a health care system based on individual freedom for one based on government control." [W. Post 8/10/94]

FACT: Senator Mitchell's bill builds on the existing, private sector system. The Washington Post said that "*the governmental role would be kept to a minimum [in the Mitchell bill].*" [8/3/94]

MYTH: "[Senator Dole] referred to job-killing mandates [in the Mitchell bill]." [LA Times 8/10/94]

FACT: Any number of independent studies -- from the Employee Benefits Research Institute to the Economic Policy Institute -- have found that the employer mandate would have a negligible or slightly positive job impact. Hawaii's experience proves that you can have strong economic growth with shared employer-employee responsibility.

MYTH: Senator Dole: "[The Mitchell bill] is chock full of 17 new taxes totalling billions of dollars." [LA Times 8/10/94]

FACT: When in doubt, it seems the Republicans have to fall back on tired and false tax charges. The Washington Post said that the Mitchell bill is "*hardly tax heavy.*" [8/8/94] In fact, the Mitchell bill contains more tax cuts than provisions which raise revenue.

MYTH: Senator Dole: [Quoting a constituent letter forwarded to him by Senator Gregg] "In the scheme of things that the President proposed, we would not have been able to send our son to Boston [to see a specialist]. The penalty for 'going against the plan' would be a $10,000 fine, and possible jail sentence."

FACT: Opponents of health care reform are using scare tactics. In fact, under the Mitchell bill, you can keep your doctor or choose any other doctor. The Mitchell bill guarantees you the choice of at least 3 health plans, including a fee-for-service plan that allows you to see whatever doctor you want. [Section 1301]

WEDNESDAY, AUGUST 10

On Tuesday, the distortions just kept coming...

MYTH: Senator Packwood: "What does the Clinton-Mitchell bill promise?...less freedom of choice." [Senate floor debate, 8/10/94]

TRUTH: The Mitchell bill guarantees more choice of plan and doctor than most people have under the current system, and certainly more than the Republican incremental bills. The Mitchell bill guarantees every individual the choice of at least 3 health plans, including 1 fee for service plan which allows patients to see any doctor they want.

MYTH: Senator Chafee: "The Mitchell bill involves pure community rating." [Senate floor debate, 8/10/94]

FACT: We gladly admit that under the Mitchell proposal that insurers may not charge people more for being high risk, having a history of illness or having a pre-existing condition. This provision is know as community rating. But Senator Chafee's attack is inaccurate because the Mitchell proposal does allow for age-adjusted premiums as the legislation is phased in. However, over time, age rating phases out. We challenge the Republicans to explain to older Americans why they should be charged 4 times as much for premiums as other Americans, as in the Dole bill. [Section 1116]

MYTH: Senator Durenberger: "The Mitchell bill takes away incentives for groups to negotiate [with insurers]." [Senate floor debate, 8/10/94]

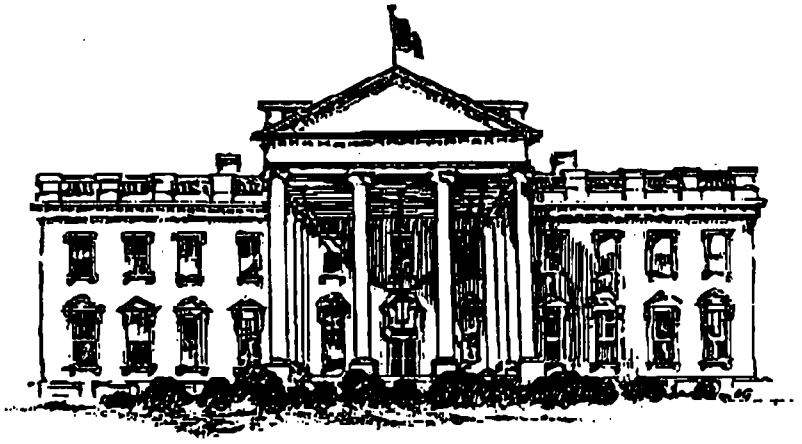
TRUTH: Wrong. The Mitchell bill increases purchasing power of firms and groups by creating voluntary, competing purchasing cooperatives, which will give individuals and small and medium-sized employers of 500 or fewer workers the bargaining power they don't have under the current system.

MYTH: Senator Durenberger: "The Mitchell bill increases cost shifting." [Senate floor debate, 8/10/94]

TRUTH: Unlike the Republican bills, which shift the costs of tens of millions of uninsured Americans onto businesses and individuals with coverage, the Mitchell bill dramatically reduces the number of uninsured -- virtually eliminating cost shifting from the system.

MYTH: Senator Domenici: Benefits for the mental health conditions are not treated with parity in the Mitchell bill. [Senate floor debate, 8/10/94]

TRUTH: That's a distortion. The Mitchell bill instructs the National Benefits Board to treat mental health conditions exactly as other illnesses are treated. Only if costs exceed revenues can the Board can add slightly higher copayments and deductibles for mental health benefits. By contrast, the Dole plan provides no certainty that mental health services will be covered at all.



THE WHITE HOUSE

To: Klein, Jennifer

Date: 8-10-94

From: Kintner / Goldberg

Page 1 of 5

Cabinet Health Line
August 10, 1994

August 10 - Health Care Qs and As

Q. The Washington Post said today that the First Lady doubts Mitchell's bill. Isn't the Administration supporting the Mitchell bill?

A. **Absolutely. The President, Vice President, and First Lady have all said that we support both bills because they both achieve the bottom line of universal coverage.** As the President said last week at his press conference, he supports both bills but he is not going to legislate As he said, his job is to keep the eye on the ball of universal coverage The *Washington Post was the only newspaper to report this story In fact, the First Lady has been strong in her support of both the Mitchell and Gephardt approaches*

The Washington Post did not reflect what Mrs. Clinton said.

Today is "Hawaii Day" here at the White House -- the Governor of Hawaii and Small Business Administrator Erskine Bowles are meeting with the President to discuss how the Hawaii system -- which is on the road to universal coverage -- works well for businesses.

Tonight, the President will talk about "how it works" -- how universal coverage will contain costs, make health coverage more affordable, and allow businesses to be more profitable.

Q. By your coming forth today and delivering a strong shared responsibility message, aren't you endorsing the Gephardt bill over the Mitchell bill?

A. **What we are saying today is that shared responsibility works for businesses. Hawaii has had a system based on shared responsibility and small businesses are thriving, the unemployment rate is one of the lowest in the nation, and health insurance is 30% cheaper than on the mainland.**

Majority Leader Gephardt has a shared responsibility provision in his bill
Majority Leader Mitchell has it as a back-up mechanism in his bill.

KEY POINTS FOR THE WEEK:

- **The entire Clinton Administration is actively engaged in the effort to bring guaranteed private insurance to every American.** We are in the home stretch in this historic crusade for America's hard working middle class -- and every Cabinet Member is participating in the fight. Just today, the Cabinet will complete its 101st editorial board since it began a major push two weeks ago.

- **The White House has released a compilation of State-by-State and District-by-District data which clearly illustrates the need for *real* health care reform with universal coverage for the million of middle class Americans.** The Cabinet should reference this data in every radio and print interview. These material have been released, and can be FAXed out to the media. (Do not FAX copies of the Member profiles or the list of supportive groups).

- The President is taking to the airwaves in an unprecedented series of nightly broadcasts to make his case directly to the American people on health care. These nightly 2-minute messages started last Thursday on CNN, and will continue until the critical Senate vote on universal coverage. In the face of an unprecedented $50 million advertising campaign to influence this decision, the President decided the American people must understand the facts before this decision is made. **Tonight, the President will be talking about the importance of passing *real* health care reform for middle-class Americans.**

- This week or next, the Senate will vote on whether or not to guarantee health coverage to every American. Polls show that 8 out of 10 Americans support universal coverage, but moderate Republicans appear to have retreated from their previous support for this goal.

- The House and Senate bills took the President's original goal of universal coverage, and proposed different, more moderate approaches to achieve this goal. These approaches have several key differences from the President's proposal.

They contain:

- less government bureaucracy
- greater protections for small businesses
- provisions to let people keep their current insurance plans and doctor
- more choice
- an approach that builds on the current system

- Republicans are calling for delay and more time to study the issue. But leading experts point out that the issue has been debated and studied for over 60 years. Presidents from FDR to Nixon to Carter have tried to reform health care. And for the first time in history, bills that achieve universal coverage will be on the floor of both houses of Congress.

- **We have made dramatic progress in our effort to guarantee lifetime health security for every American. But there remains one major stumbling block to overcome. Opponents of *real* reform would have us believe that our goals can be met by incremental, piecemeal changes. They say that tinkering around the edges is enough for now. That approach won't work -- it will cost more -- and leave millions of hard working Americans at risk.**

- The President and Democratic leaders have compromised on several key provisions already, moving closer to the Republicans. However, the Republicans keep moving further away. Senator Dole and two dozen other Republican Senators used to support an approach that provided for universal coverage. They have all backed off such an approach.

Q and A on Taxes and Bureaucracies

Q: What about these 17 new taxes in the Mitchell bill?

A: **That's absurd. The Washington Post said that the Mitchell bill is "hardly tax-heavy." Instead of describing how they are going to provide health coverage for hard-working middle-class Americans, some Republicans are resorting to their traditional scare tactics.**

We know that the Mitchell bill helps every American get affordable, high-quality health coverage. It is time we look at Republican alternatives to see if they help working people, or just protect special interests.

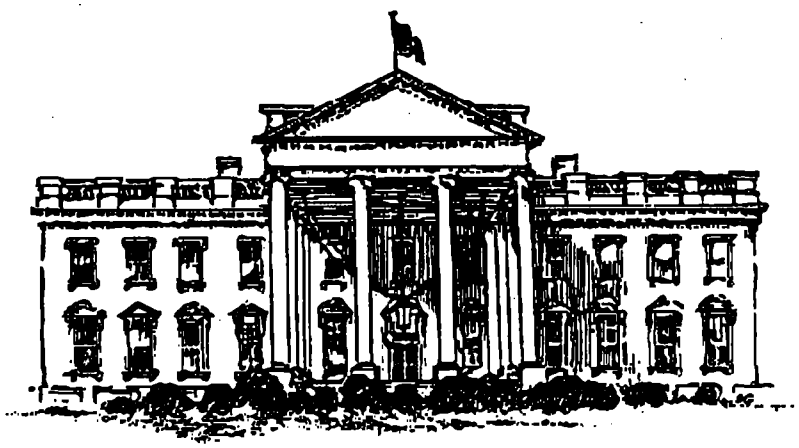
Anyone who looks at the Dole plan will tell you there are at least 17 insurance company and other special interest loopholes that can put families at risk.

Q: What about the 20 new bureaucracies in the Mitchell bill?

A: **That's not true -- and that's more scare tactics from the Republicans. The fact is: the House and Senate bills build on the existing, private-sector system. And Americans will be able to keep their current private insurance plans and doctor. The fact is: anyone who looks at the Dole plan will tell you there are at least 20 insurance company and other special interest loopholes that can put families at risk.**

Back during the debate over Medicare, the Republicans used the same exact scare tactics. In fact, not only did Sen. Dole -- then a Representative -- vote against Medicare, but he voted to send it back to committee at the 11th hour.

Interestingly enough, the Washington Post says that "Dole's plan might surprise some Republicans for the new government involvement it contains."



THE WHITE HOUSE

To: Klein, Jennifer Date: 8-9-94

From: Kintner / Goldberg Page 1 of 4

Cabinet Health Line
August 9, 1994

KEY POINTS FOR THE CABINET TO SAY THIS WEEK:

- **The entire Clinton Administration is actively engaged in the effort to bring guaranteed private insurance to every American.** We are in the home stretch in this historic crusade for America's hard working middle class -- and every Cabinet Member is participating in the fight. Just today, the Cabinet will complete its 101st editorial board since it began a major push two weeks ago.

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Cabinet Health Line

August 3, 1994

- **The entire Clinton Administration is actively engaged in the fight for *real* health care reform. Today, the Cabinet finished its 87th editorial board since it began a major push two weeks ago. Today, virtually every Member of the Cabinet participated in regional health care media calls -- both radio and print. The President has made clear that passing *real* health care reform -- with Universal Coverage for the millions of hard working middle-class Americans -- is his number one legislative priority. The Administration is dedicated and devoted to this effort. For the rest of this week, and every day until *real* health care reform is passed, the Clinton Administration will devote every resource towards fighting for *real* reform. The legislative debate is set to begin, and the Clinton Administration will be there standing side-by-side with Members of Congress.**

- **Both the House and Senate bills, as proposed by Congressman Gephardt and Senator Mitchell achieve what the American people want -- Universal Coverage -- guaranteed health insurance that can never be taken away.** The bills ensure real health security for hard working middle class Americans who deserve nothing less. We applaud both Majority Leaders and the many members of the House and Senate who have been working diligently to bring bills to the floor which work for ordinary Americans.

- These bills utilize distinct approaches to achieve the common goal of health care coverage for every American. And while differences in the approaches exist -- the similarities are essential. Both bills provide universal coverage, enable Americans to keep their current insurance and their family doctor, maintain quality health care, and provide greater opportunity to keep health coverage affordable for American families. And both have chosen to build upon the current system of shared responsibility -- a system we know works -- to achieve universal coverage.

- **We have made extraordinary progress toward realizing guaranteed health security for every American.** The Senate and House are now poised to cast an historic vote in favor of the hard working middle class. We have come this far and we must not turn back now. If Congress fails to achieve universal coverage, we will not do our best to control health care costs and we will not do our best by middle class Americans. That's simply unacceptable.

- **The House and Senate will soon begin a debate that will engage every American family concerned about their health security.** And while the differences in these approaches will be worked out as the legislative process moves forward, the bottom line of universal coverage must remain the same. During the course of the historic floor debate, there will be those who will say that achieving universal coverage is not necessary. To those, we say, let the debate begin. Fighting for universal coverage is a fight for the middle class. This is a debate we must -- and we will -- win.

TALKING POINTS: THE LEADERSHIP BILLS

ACHIEVE PRESIDENT'S GOAL OF UNIVERSAL COVERAGE:

- Both the House and Senate bills achieve what the American people want -- Universal Coverage guaranteed health insurance that can never be taken away. The bills ensure real health security for hard working middle class Americans who deserve nothing less.

  House Bill: By 1999, all Americans will be covered. Employers will be asked to contribute 80% of the cost of insurance for their employees.

  Senate Bill: Should these voluntary efforts fail to cover 95% of the American people by 2000, employers and employees will split the cost of insurance premiums evenly starting in 2002, unless Congress approves an alternative recommendation that achieves universal coverage developed by a national commission. Businesses with fewer than 25 employees would be exempt. If more than 95% are covered, the Commission will recommend how to cover those without insurance.

ELIMINATE ABUSIVE INSURANCE COMPANY PRACTICES:

- The proposals embrace the consensus insurance reforms that enjoy overwhelming support in the Congress. They outlaw preexisting condition exclusions, lifetime limits, and the practice of dropping coverage or raising your rates if you get sick. They ensure portability so that if you switch jobs or lose your job you can take your coverage with you.

  Senate bill: Unlike bills which rely on incremental reforms alone, the Senate bill is designed to avoid any negative consequences of market reforms during the transition period, by incorporating strong protections that guard against premium increases and by specifying a date certain by which all Americans will be covered.

FISCALLY SOUND WITH ADDED PROTECTION FOR FEDERAL BUDGET:

- To provide ironclad protection to the federal budget, the plans contain fail-safe mechanisms to ensure that the cost of reform does not exceed the savings and revenues.

FINANCIAL SAFEGUARDS FOR FAMILIES AND BUSINESSES:

- The proposals foster competition and harness market forces to keep costs down. Both plans call for careful monitoring of private health care costs and put the burden on Congress to take action if market competition fails to control costs adequately to protect American families and businesses.

ALLOW PEOPLE TO KEEP WHAT THEY HAVE WHILE PROVIDING MORE CHOICES:

- People will be able to keep their current insurance plans and doctors that they are satisfied with today.

- In addition, through the creation of voluntary purchasing pools and the opportunity for private individuals to join the Federal Employees Health Benefits Program, the plans give people new coverage options with more choices of plans.

  House Bill: The House bill also creates a new federal insurance program, Medicare Part C, to provide even greater choices for coverage.

PRESERVE AND STRENGTHEN COVERAGE FOR SENIORS:

- Medicare is preserved and it will be expanded to include coverage for outpatient prescription drugs.

- In addition, the House and Senate plans establish a new home and community-based long-term care program to give older Americans and those with disabilities additional options for care.

ENSURES HIGH QUALITY COVERAGE AND CARE:

- The benefits package in both bills emphasize preventive care and include coverage for prescription drugs to help keep people healthy, not just to treat them once they become sick.

- A portion of each premium will be earmarked for medical research to encourage the technological advancements and improvements that have made American medicine the finest in the world.

PROVIDES GREATER PROTECTION FOR SMALL BUSINESSES

- Both bills give special protection to small businesses and enable small businesses to join purchasing cooperatives so they can get affordable coverage.

  House Bill: The House bill provides discounts to small low-wage firms through a tax credit; phases in the requirement to cover their workers; firms of 100 or fewer employees are not required to contribute until 1999.

  Senate Bill: Exempts firms with fewer than 25 employees from the back-up employer requirement to ensure universal coverage .

MAKE CHILDREN OUR NUMBER ONE COVERAGE PRIORITY:

- Both proposals makes sure that the 9 million children in the United States who are uninsured will now be covered.

  House Bill: Covers all Americans by 1999.

  Senate Bill: Targets funds to ensure that coverage is extended to as many uninsured children as possible right from the start. Investing in these children will ensure that they get off to a good start and come to school ready to learn.

- By capping household insurance expenses at 8% of income and providing targeted subsidies to middle class families, the Mitchell plan insures that insurance protection is within everyone's reach.

By placing an assessment on high cost plans, it encourages plans to lower their premiums and employers and individuals to choose more efficient, better priced plans.

Cabinet Health Line

August 4, 1994

- Tonight, the President will launch a series of nightly broadcasts to the American People on the importance of universal health care reform. These broadcasts from the Oval Office will air nightly at 7:50 p.m. Eastern time on CNN.

- Please urge your Secretaries to talk about these broadcasts in their regional radio and print interviews.

- Your comments regarding the broadcasts, including any comments to promote them, should be limited to the attached materials:

  - Talking Points on the programs
  - Q's and A's
  - The Script from tonight's broadcast

The DNC will take care of distributing both the video and the transcript of the broadcast to reporters.

TALKING POINTS FOR CABINET OFFICIALS:
THE PRESIDENT TALKS WITH THE PEOPLE ON HEALTH CARE

- America faces a historic choice -- one that affects every American family. This is a serious decision for our nation -- a decision that should not be relegated to soundbites.

- Every American deserves to hear the details of what Congress is deciding. Every American deserves the opportunity to express his or her opinion before the critical vote is cast.

- The President wants to takes his case directly to the American people. For the next several evenings -- until the Senate roll is called on the vote to decide universal coverage -- the President will speak to the public about the central elements of the approaches before Congress. At 7:50 pm Eastern time each night on CNN, the President will speak from the Oval Office for 2 minutes about a different key element.

- Only a clear explanation of the proposals before Congress can cut through the haze of misinformation thrown up by the special interests who oppose reform. $50 million have already been spent on advertising. As Kathleen Hall Jamieson of the Annenberg School of Communications said, "We are witnessing the largest, most sustained advertising campaign to shape a public policy decision in the history of the Republic."

- The series will begin on the evening of August 4 and will continue until the Senate's critical vote on universal coverage. [Do not indicate they will run every night -- they will run every night in the beginning, but if the vote stretches out too far the broadcast might be spaced out across more than one day.]

CABINET QUESTIONS AND ANSWERS ON ADS

Q: Why paid ads on CNN? Why not just a prime-time Oval Office address on the networks?

A: The White House asked ABC, NBC, CBS and Fox if they would broadcast an address by the President to the American people on this critical issue of health care. They all said no. The DNC then asked to pay for time on these networks to broadcast a critical message on health care from the President. The networks said no. But the President strongly believes that the American people must have the facts before Congress votes on this historic decision. That is why we decided to take this unprecedented step in paying for a series of broadcasts on CNN.

[So far in 1994, the President has made no Oval Office addresses. In contrast, in the second year of his first term, President Reagan was able to make 6 Oval Office addresses.]

Q: Isn't this just a last minute attempt to save a dying bill?

A: Not at all. Studies show that $50 million has already been spent to influence this decision -- most of it by opponents of reform. And millions more will be spent in the coming weeks. The President wants to take his case directly to the American people before this historic vote.

Q: What is the President selling? Is it Mitchell? Is it Gephardt?

A: The President will be talking about key elements of reform that are contained in both approaches. And he will be talking about the importance of universal coverage -- the central element in his original proposal, the House bill and the Senate bill.

Text of Two Minute Remarks From Oval Office [August 4, 1994]

GOOD EVENING:

In the coming days, Congress will face a critical vote that will measure our national character. In that vote, our nation will have its best chance -- maybe its last chance this century -- to assure that every American, regardless of wealth or privilege, will be helped or healed when they're sick.

This is something Hillary and I both care deeply about --

To make sure all Americans have health care;

To preserve the quality of that care;

And to bring costs under control.

As you know, the plan I originally advanced has been changed-- and many ways for the better. And besides, in the end, whose plan passes is not important. What is important is that you have guaranteed private health insurance that can never be taken away.

We've listened...

We've heard you...

And the new health care approach that will be voted on soon is less bureaucratic.

It offers more choice, not less; you can keep your doctor and the coverage you now have, or you can choose a new plan that saves your family money.

This new approach contains new protections for small business -- and will be phased in over a longer period of time to make sure we do things right.

In the truest sense, this is a conservative approach that keeps what's best in the present system -- and fixes what's wrong.

For example, it establishes controls on government spending, and relies on competition in the market place to hold down the ever-increasing cost of private insurance premiums.

Yet many of you have doubts about reform and I sure can understand why. I see the same tv ads you do. Never in the history of the Republic has so much money been spent to defeat an idea.

August 4, 1994

The vote will be close -- the vote will be soon.

So, if you decide this legislation is good for your family, join the fight. Call your Senators and members of Congress. Talk with your neighbors. Make sure they understand the facts.

That's all I ask -- that we as a people make this historic decision based on facts not fear.

Thank you, and I'll talk with you again tomorrow night.

Paid for by Democratic National Committee

THE WHITE HOUSE

WASHINGTON

July 26, 1994

MEMORANDUM FOR INTERESTED PARTIES

FROM: HAROLD ICKES
White House Deputy Chief Of Staff

SUBJECT: THE CASE FOR UNIVERSAL COVERAGE

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

Budget Director Alice Rivlin will reference this document in her editorial board interview with you on Thursday, July 28 at 4:00 pm [Eastern Time].

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

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

The Case Against Non-Universal Reforms

INTRODUCTION

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

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

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

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

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

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

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

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

DOLE PLAN

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

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

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

NON-UNIVERSAL REFORM:
Hurts The Middle Class

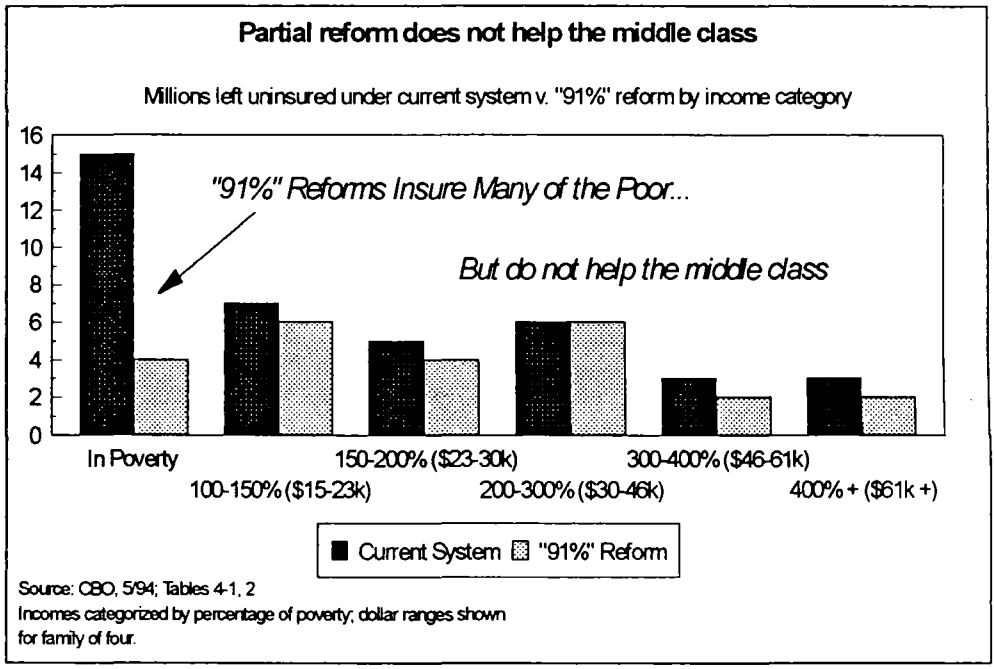
"I'll tell you why I'm fighting so hard for real health care reform...People like Jim Bryant, who told the Boston Globe he works 70 hours a week but has no health insurance for his family. He wonders if it's fair that he misses his sons' soccer games to go to his Saturday job while people who depend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

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

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

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

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



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

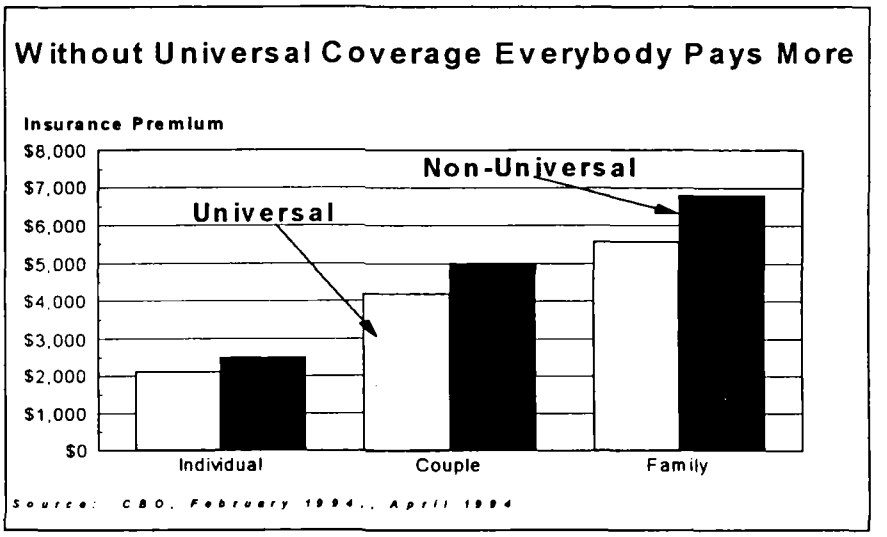
According to a new study by Families USA, over one million Americans a month will lose their insurance under a partial solution. *[Families USA Special Report, 6/94, p.1]* We need universal coverage because all families -- including the middle-class -- must be protected.

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

2) Non-universal reforms increase insurance premiums.

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

And The Wall Street Journal says: "The result...is the start of an upward spiral in rates" for those who still have insurance. *[Wall Street Journal, May 27, 1994]*



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

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

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

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

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

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

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

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

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

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

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

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

States Have Already Tried Non-Universal Reforms

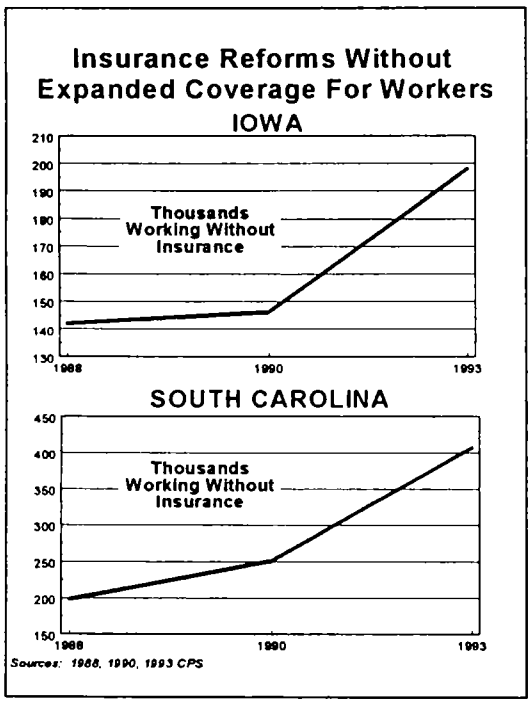
Reform Measure	Number of States
Guarantee Issue	35
Guarantee Renewal	42
Portability	37
Community Rating	19
Rating Bands	34
Voluntary Alliances	20
Tax Incentives	13
Medical Savings Accounts	7
Low-Income Subsidies/Medicaid Expansions	46

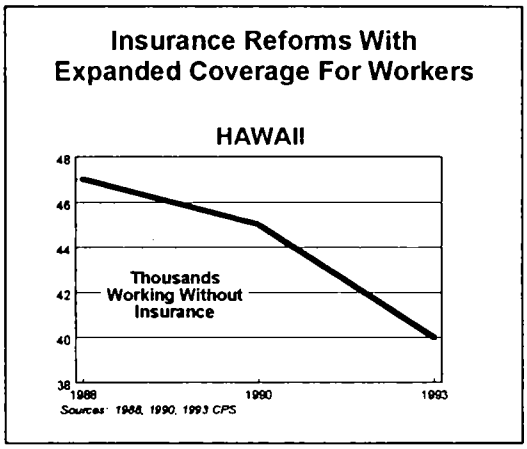
Source: Intergovernmental Health Policy Project, George Washington University, June 1994

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

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

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





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

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

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

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

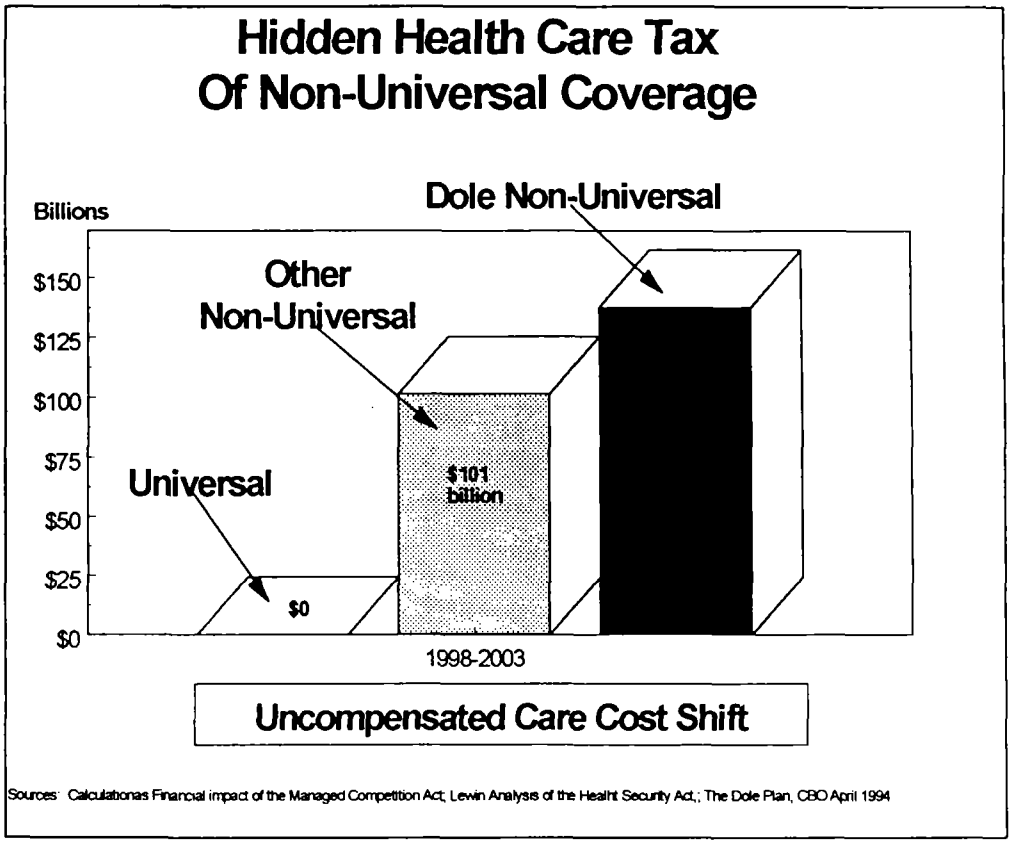
1) Non-universal reform leaves a hidden tax on working families.

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

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

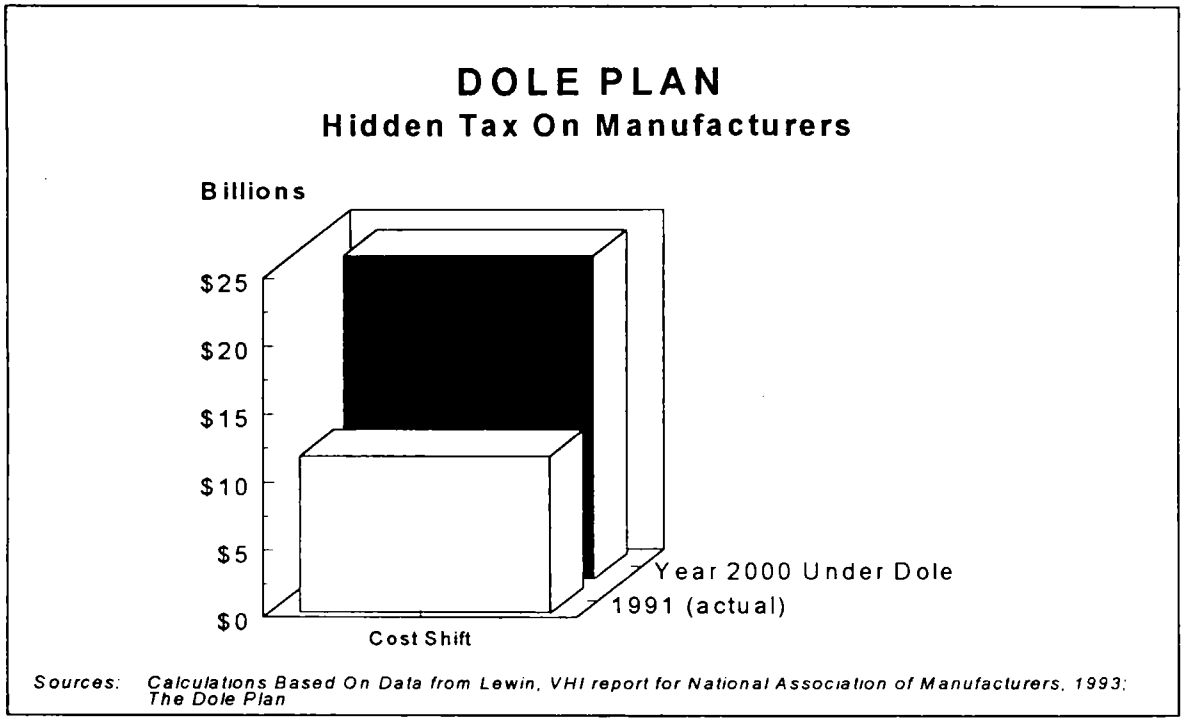
The methodology used by the Congressional Budget Office to analyze a similar plan indicates that the Dole plan would cover only 1 in 5 uninsured.

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



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

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



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

INCREMENTAL REFORM FAILS OTHER KEY TESTS

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

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

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

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

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

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

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

3) Incremental reforms perpetuate welfare lock and discourage work.

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

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