File

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

AG Lunch 1/21

1) Rego top priority: Fed ee buyout only way to meet pers. cuts. w/o RIF & chaos.

2) Perf. Agreement → Pls sign off on
→ can announce
w/ 1st perf pilot projects.

3) Q when we do a Summit on Violence?
AG: yes if we have a specific response -

4) Mtg EO: H + Cooper

5) Stein - Telecom Ref
- Environ → 2+ accomp / 2+ agenda

6) BC: Hispanic Strategy
[Western]
Electoral Map

7) Air + Space Museum
Blue Planet - take Chelsea

PHOTOCOPY
WJC HANDWRITING

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1-26-94

THE WHITE HOUSE

WASHINGTON

January 24, 1994

MEMORANDUM FOR PRESIDENT CLINTON
HILLARY RODHAM CLINTON
PATRICK GRIFFIN
HAROLD ICKES
GREG LAWLER
GEORGE STEPHANOPOULOS

FROM: IRA C. MAGAZINER

SUBJECT: "BOTTOM LINE" ISSUES FOR HEALTH CARE REFORM

This memo suggests "bottom line" provisions which could be communicated to congressional leaders to meet the President's goals. It is for internal use only.

1. Universal coverage before the end of the decade which means employer and individual mandates.

2. Comprehensive benefits which means a nationally guaranteed benefits package spelled out in the legislation with reasonable deductibles and copays.

3. An end to discrimination in health insurance which means community rating laws and some means of creating large risk pools.

4. Cost containment which means consumer choice, competing health plans and some form of premium cap (or all-payer rate mechanism) as a backstop.

5. Upgraded senior benefits which means a Medicare prescription drug benefit and some long-term care program, predicated on achieving significant Medicare savings.

RATIONALE FOR BOTTOM LINE

1. Universal Coverage

A mandate on employers to contribute to and on individuals to buy health insurance is the best way to achieve universal coverage. Without universal coverage there can be no health security.

Today, 39 million Americans have no insurance and 22 million have only "bare bones" coverage. Over 85 percent of these people are employed. Employers will contribute over $200 billion in 1994 for health insurance premiums for the under 65 population, more than families and the government combined.

Employers make these contributions voluntarily. However, for the past 10 years, as health insurance has become more expensive, many employers have cut back on insurance payments and some have dropped them entirely. In 1992 alone, over 2 million Americans (net) lost their health insurance, almost all of them workers and their families.

There are three ways to provide universal coverage:

- Raise taxes and have the government finance health care providers or plans directly (single-payer). We think this is politically unacceptable.
  - It would require raising $300-400 billion of taxes per year.
  - It would put the government directly in charge of the health care system.
- Require all individuals to buy insurance, make it more affordable to them by reorganizing the insurance market and provide subsidies to low income people (individual mandate).
  - Because insurance is so expensive, government subsidies would have to be very large to really make insurance affordable.
  - An individual mandate would encourage companies to drop or lessen coverage at an even faster pace then over the past 10 years since the government would provide subsidies. The cost to the Treasury would thus grow dramatically.

- A huge bureaucratic means testing apparatus would have to be established to administer subsidies to well over 100 million Americans to make insurance affordable for them.

- Require employers and individuals to contribute to health insurance.

  - Builds on the current system.

  - Minimizes cost to government.

  - Provides security to people.

  - With sufficient discounts for small and low-wage firms and for low income individuals, and gradual phase-in, can be affordable to companies and have minimal negative job impact.

As a "bottom line", we could support proposals which lessen the employer mandate and increase the individual share.

- * Instead of requiring an 80 percent employer share, a 70 percent or even lower percent employer share is possible.

- Discounts for small or low-wage businesses could be increased.

- Phase-in of the mandate and therefore universal coverage could be slowed down by a year or two.

*Decreasing the employer share increases the federal subsidy requirement. We want universal coverage which is real, which means adequate subsidies to make health care affordable for all people.

2. Comprehensive Benefits

To provide health security, health care legislation should spell out comprehensive benefits. So called catastrophic policies do not provide real security and still leave significant cost shifting in the system. Comprehensive benefits mean:

- No lifetime limits.

- Annual out-of-pocket maximums ($1,500 per person and $3,000 per family in our bill).

- Reasonable deductibles and co-pays (a maximum of $400 per family deductible and 20 percent copay in our bill).

- Comprehensive coverage of services.

- An extensive preventive package.

3. An End to Discrimination in Health Insurance

Today, people pay wildly different amounts for the same insurance coverage based on their health status, age, sex, whether they work for a large or a small company or are self-employed, or whether they are part of a large or small pool of insured people. Health insurance companies compete primarily by trying to insure only people who are likely to stay healthy and therefore not need services.

Health alliances with community rating laws are a good way to end health care discrimination. The alliances create big pools which make the community rating real. There must be some mechanism in the bill to do this or the bill will not guarantee security and control costs. If insurers can market so as to avoid risky patients or can charge more for them, there is no security. If they can compete this way, they are less likely to focus on competing on quality and efficiency. If people still have to pay more simply because they work for a small rather than a large firm or because they are self-employed, job lock will not end.

We could agree to smaller mandatory alliances -- companies of 500 or less required to join alliances instead of 5,000 -- if necessary. Below this level, it becomes very difficult to enforce community rating and to integrate Medicaid into the private system.

If sufficient sized mandatory alliances must be dropped, we would have to move to some other mechanism to enforce community-rating and create big pools which would involve significant regulation and enforcement activity, reinsurance and transfers of funds among health plans. This whole area is very tricky. Many say they believe in community rating, but they often propose measures full of loopholes which do not, in fact, end discrimination.

4. Controlling the Growth of Costs

Extending universal coverage could cause an explosion in private sector health spending and federal subsidies if explicit steps are not taken to control the growth of costs. The current slowdown in cost growth will not continue without real reform.

We have proposed a series of steps to increase competition among health plans, to create more cost conscious consumers and providers and to reduce government and insurance company imposed administrative requirements as the main mechanisms for controlling the growth of health care costs.

As a backstop, we have proposed a cap on the average rate of growth in premiums for the guaranteed benefits package. The cap will serve as a discipline to accelerate competition and to protect consumers in parts of the country where competition might be slow in developing.

We have purposely created a "redundant system". If competition works, premium caps are not necessary. If the competition doesn't work as well as expected in parts of the country, then the caps protect the consumer and the Treasury.

Controlling costs is too important to leave to chance. The market reforms are essential to our approach. We could accept less stringent premium caps, or ones which are set in a different way, ones which are phased differently, or ones which are automatically triggered if competition fails to bring desired results. We could also accept all-payer rate setting mechanisms as a backup if states preferred this approach.

We would be concerned not to have any caps. Without the backup, the health industry might absorb uncompensated care savings into profit instead of passing them onto consumers and businesses. Health plans may form oligopolies or "game" the competition.

5. Benefits for Seniors and Disabled Americans

Some form of prescription drug benefit and some serious beginning on a long-term care benefit are necessary to meet the health care problems of our senior and disabled populations.

We can be flexible on details and phase-in, but it would be irresponsible in comprehensive health reform to ignore these problems entirely. It would also be difficult to include prescription drugs in the under 65 benefit package but not include them in Medicare. These benefits could be tied to the achievement of some level of Medicare savings.

PHOTOCOPY
WJC HANDWRITING

THE PRESIDENT HAS SEEN 3/3/94

Hosokawa 3/3

TALKING POINTS

1. As you know, we have been considering reinstituting a U.S. procedural law by administrative action which would require a review various trade practices engaged in by our trading partners which might unfairly constitute an impediment to U.S. goods and services.

2. As you know, the Congress is considering legislation in this area which is much more rigid and inflexible than the approach I have asked my Government to draw up.

3. I have made the decision that we should administratively reinstitute the so-called Super 301 in order to ensure that we annually review our partners' trading practices and to try to avoid a much more rigid law which the Congress certainly will pass if we do not act. No country will be named in this announcement as carrying on any practice which violates U.S. trade law and the identifications will not be made until September 30, 1994. In addition, we have made sure that we can exempt from consideration practices or concerns which on September 30 are the subject of existing trade agreements or even negotiations.

4. I believe this step is a moderate and responsible initial approach in our attempt to address the serious concerns we both share that our trading relationship needs to be put on a more sound and productive footing.

5. I am hopeful that we can continue our talks regarding the cellular telephone agreement, and I look forward to any approaches you might suggest with regard to fulfilling our governments' joint commitments under the framework.

6. I continue to believe that you and I can address these difficult issues on a personally, as well as on a government-to-government basis in a candid and frank manner and it will strengthen our relationship.

~~I understand~~

I understand - the domestic situation in US -
- put this in letter in - any meeting effort - hoping solution by end of March - leading effort -
- try to take calmly
handle calmly

RM —
Lake copied.

THE PRESIDENT HAS SEEN
3.1.94

THE WHITE HOUSE

WASHINGTON

John P
Save for
Bd

CALLS TO BE MADE RE BUDGET AMENDMENT

* Action for [illegible]

SENATOR CONRAD 224.2043 → 26 [illegible]

~~SENATOR NUNN~~ [redacted] 3521

SENATOR FEINSTEIN 3841

~~SENATOR FORD~~ 4343

~~SENATOR BOB GRAHAM~~ 3041

$\boxed{\text{SENATOR HARLAN MATTHEWS}}$ won't beat us < problem [illegible]

HARKIN
BRYAN
WOFFORD
} for Reid alternative * then ag. Simon

(Per George Stephanopolous)

February 24, 1994

John P
Save for
Bd

PAT LEAHY - per TONY LAKE

* Reid Alternative

2001
exc. Social Security
balances operating budget
real recession - exemption (less than 1% growth 2 cons. quarters
enforcement by Legislature, not Court

CONRAD

RECORD: In 1992 he supported the Simon amendment, but he did vote against cloture. He opposed Gramm–Rudman because he thinks too mechanistic in the past.

BLUNT, GIMMICK: He is responsive to the notion that this is a blunt, unintelligent instrument and a gimmick. This made sense at a time when we had no hope. Now, we have shown that we can make specific, measured choices. It would make no sense to go back to these types of gimmicks. It will move people away from the type of tough, selective choices we should be making.

NOT DISTINGUISH BETWEEN TYPES OF SPENDING: Conrad has expressed sympathy before in September 1992 for the notion that what we need is to change the composition of spending from consumption to investment. The politics would drive Congress to cut the very investments in education, training and rural development that he thinks are important as people scrambled to not raise taxes or cut Social Security.

HURT THE ECONOMY: He has also showed concern about the economic impact of doing too much too soon. WEFA found that even with the most favorable assumptions about interest rate, there would still be over 6 million jobs lost and unemployment at 9% if this passed by the year 2004.

FEINSTEIN

RECORD: She is a co–sponsor of the Simon Amendment. In response to the state–by–state that Treasury put out, however, she responded that she was concerned that it would make disaster relief too difficult (with the 60% requirement) and because it was too unrealistic to do this by the year 2001.

THE SIMON AMENDMENT IS ANTI–CALIFORNIA:

IT MAKES DISASTER RELIEF VERY DIFFICULT: With 60% of the full membership of both Houses needed to waive the BBA requirements even with disasters this would be very unfair for California. Look at what happened this time around.

DEFENSE CUTS WOULD BE LARGE AND HARMFUL TO CALIFORNIA: With this schedule for deficit reduction –– and the desire of average members of Congress to not cut Social Security or raise taxes, there will be tremendous pressure to cut defense. Even if half of the savings were from taxes, and entitlements, defense could still take a $150 billion hit. It would be devastating for California.

IT WOULD PARADOXICALLY ALSO MAKE LESS AVAILABLE FOR THE INCREASED NEED FOR DEFENSE CONVERSION: Clearly the desire to avoid tax increases and Social Security cuts will cut into our technology investments that are needed for defense conversion. We think there would be a dramatic cut in this area.

CALIFORNIA'S ECONOMY IS TOO WEAK TO ABSORB THIS DEGREE OF FISCAL CONTRACTION: This could end up moving through the states very quickly and with a five year plan, we could begin cutting in FY1997 –– or earlier in anticipation of its passage –– and this disproportionate hit on California could stop a California recovery right in its tracks. The WEFA Study found the effect on California would be devastating. It would cost California over 700,000 jobs several years out and increase unemployment by 5%.

FORD

RECORD: Ford has both opposed and supported this in the past. He voted against it in 1982; for it in 1986. In 1992 he supported the Amendment, but then voted against cloture. Recently, (May 1, 1993) he has expressed support for the balanced budget Amendment -- saying it would put the U.S. in the same position as Kentucky.

BURDEN ON CITIES AND STATES: In 1982, when he did oppose the Amendment, he argued that it would put a terrible burden on cities and states.

LOYALTY TO THE DEMOCRATIC AGENDA: This would derail everything the party is trying to do, and put us in the position of having to propose tax increases and Social Security cuts.

NUNN

RECORD: Nunn voted for a BBA in 1982 and 1986. He supported it in 1992 but voted against cloture. He is the original sponsor -- with Domenici -- of the entitlement cap idea. The Nunn–Domenici proposal called for 2/3 spending cuts and 1/3 tax increases and did make room for some investments like Head Start and WIC.

ENTITLEMENTS ARE WHAT WE SHOULD BE AFTER: Nunn may be responsive to the fact that it is only Medicare and Medicaid that are growing larger than GNP and that a balanced budget would be too blunt of an instrument that would end up hitting defense and discretionary spending.

POLITICAL LOGIC IS THAT DEFENSE GETS WHACKED: A simple BBA will create a situation where members of Congress will prefer to cut defense than to raise taxes or cut the Social Security on every voter or recipient in their district. Defense decisions will be made on the basis of short–term economic decisions and political whims. It would kill the whole philosophy of the bottom up–review. Shali and Perry are deeply worried about this. They both feel that this would be devastating.

HE COULD HAVE A MAJOR IMPACT: Nunn is not just a vote: his leadership is needed if we are to preserve defense from such an ill–suited means of reducing the deficit.