Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Chris Jennings, Steve Edelstein, Muareen Shea to Hillary Clinton Re: Metting with Senator Exon (2 pages)	7/19/94	P5
002. memo	Steve Edelstein, Maureen Shea to Hillary Clinton Re: Trip to Boston (4 pages)	7/29/94	P5

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23758

FOLDER TITLE:
HRC Memos - HSA [7]

gf133

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE WHITE HOUSE

WASHINGTON

July 21, 1994

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Hillary Rodham Clinton

FR: Steve Edelstein and Maureen Shea

This memorandum is in preparation for your trip to Oregon and Washington on Friday.

SENATOR PATTY MURRAY (D-WA) - Within the last week, Senator Murray has let it be known to Senators Mitchell and Daschle that she is anxious to be used to sell health care reform publicly. She has been outspoken in her desire for universal coverage now. She told the New York Times on July 19: "The go-slow idea on health care reform is the equivalent of putting a 10-mph speed limit on an ambulance. It's dangerous. It's unhealthy." Her concerns include state flexibility and long-term care, and most importantly women's health in general, and breast cancer screenings and reproductive rights in particular. She supports the employer mandate, saying it is already the cornerstone of our system today. Senator Murray has introduced a bill designed to raise the excise tax on firearms and earmark the revenue for health care. Murray is on the Budget, Appropriations, and Banking Committees.

In March the National Journal reported that liberal junior Democrats may look to her for leadership both because she is well-liked and because her state has already been through a round of health care reform. At a July 19 news conference she urged fellow members of Congress to "remind ourselves what it is that we are trying to achieve, and who we are trying to benefit."

She voted for NAFTA and National Service and announced for Budget Reconciliation.

SENATOR BOB PACKWOOD (R-OR) - Senator Packwood will not be attending the rally on Friday but issued a press release noting that he was invited (both to the rally and to travel with the First Lady) but could not attend due to pressing Senate business and a meeting scheduled with the President on trade issues. He notes his oppostion to the President's plan and his support for Senator Dole's and cautions aginst too radical an overhaul of the health care system. [A copy of the press release is attached for your review.]

MEMBERS OF THE OREGON HOUSE DELEGATION

CONGRESSMAN PETER DEFAZIO (D-OR 4th District - Eugene):

Congressman DeFazio is not cosponsoring any of the major health bills. However, he joined Rep. Schroeder in gathering signatures for the letter to Speaker Foley conveying their "strong commitment that any health care reform package that comes before the House must contain coverage for contraceptive and abortion services if it is to gain our support." DeFazio has advocated the inclusion of the 800 naturopathic physicians in the country as primary health care providers.

He is known to have a populist, activist approach -- a characteristic which has alienated some of his colleagues. While he usually votes with his party, he is prone to go his own way on the votes that matter most to the leadership. His district is made up of loggers, fishermen and environmentalists. DeFazio is a former Congressional aide who handled seniors' issues. He now sits on the Public Works and Natural Resources Committees and is also a member of the Rural Health Care Coalition.

He voted against NAFTA and the Assault Weapons Ban and for Family and Medical Leave, National Service, and the Budget.

CONGRESSWOMAN ELIZABETH FURSE (D-OR 1st District Portland):

Freshman Congresswoman Furse is a McDermott cosponsor, a position strongly supported by her constituents. Furse represents western Portland and its suburbs and won her election with 52% of the vote. She promised to replace the current health care system with a national plan. Furse cosigned the DeFazio-Schroeder letter to the Speaker on inclusion of reproductive services in the benefits package. She is being challenged by a hard-right candidate.

Furse came to her first term in Congress with a life-time of commitment to political activism. As you know, she was part of the official delegation to Nelson Mandela's inaugural because of her past work in South Africa. She founded the Oregon Peace Institute and has consistently worked for human rights, peace, justice and environmental responsibility. She sits on the Armed Services and Banking Committees and is a member of the Rural Health Care Coalition.

Furse voted for Family and Medical Leave, National Service, and the Budget and against NAFTA.

CONGRESSMAN RON WYDEN (D-OR 3rd District - Portland):

While Rep. Wyden has not cosponsored any of the major health reform bills, he has strong concerns in this area. As the former executive director of Oregon's Gray Panthers, he is an ardent advocate for the interests of the elderly. It was Wyden's request which began the recently released GAO study on the variations between states in the approval and denial of Medicare claims for the same services. He has introduced a bill to enable records of malpractice lawsuits and disciplinary action taken against physicians to be made available to the public through a national data bank which he hopes bill will be attached to the broader national health care reform.

Wyden, a member of the Small Business Committee as well as Energy and Commerce, cites the employer mandate as the "hot button issue" in this debate. While he has some concerns in this area himself, he is basically sympathetic on health care reform and should be there. He is an enthusiastic supporter of Oregon's health care reform demonstration program and a strong proponent of abortion rights.

Wyden voted with the Administration on NAFTA, Family and Medical Leave, the Budget, and National Service.

MEMBERS OF THE WASHINGTON STATE DELEGATION

CONGRESSWOMAN MARIA CANTWELL (D-WA 1st District - Seattle):

Freshman Congresswoman Cantwell has not cosponsored any of the major health reform bills. A former state legislator, she is close to House Speaker Foley and sits on the Democratic Policy and Steering Committee, the Public Works and the Foreign Affairs Committees.

She is protective of the biotechnology industries in her northern Seattle district. Last fall, she expressed concern about the interaction between the revenues used to finance Washington State's reform initiative and those used to fund the HSA. She was particularly worried that Washington residents might be taxed twice. Local groups report that Cantwell is concerned about the costs of health care reform. She is a Roman Catholic but signed the DeFazio-Schroeder letter regarding inclusion of abortion services in the benefits package.

Cantwell voted for Family and Medical Leave, NAFTA, National Service, and Budget Reconciliation.

CONGRESSMAN MIKE KREIDLER (D-WA 9th - Tacoma):

HSA cosponsor and freshman Congressman Kreidler is a strong proponent of universal coverage and state flexibility. During Energy and Commerce deliberations, Kreidler spoke of his father's death from emphysema in a nursing home. Kreidler's opponent this year, State Rep. Randy Tate, was part of the Christian conservative movement that took over their state's delegation at the 1988 Republican National convention.

In the Washington legislature, Kreidler was Chairman of the Senate Health and Long-Term Care Committee and helped write their present reform plan. He is a practicing optometrist who worked for 20 years in a managed care system and holds a Masters Degree in Public Health. He also serves on the Veterans' Affairs Committee and was in the Army Reserve for 20 years.

Kreidler voted for NAFTA, the Budget, Family and Medical Leave and National Service.

CONGRESSMAN JIM MCDERMOTT (D-WA 7th - Seattle):

Rep. McDermott has utilized the President's Boston remarks to publicly reassert that single-payer supporters will not vote for a bill that does not include universal coverage: "He just put in jeopardy all the single-payer votes." While McDermott voted against final passage in Ways and Means, he did give Acting Chairman Gibbons crucial support in fending off amendments. McDermott voted against final passage because of the limit on families' out-of-pocket expenses which he felt was too high, and because insurance companies were still allowed to charge different people different rates. He also felt that the guarantee that individual states could establish single-payer systems was inadequate. In a subsequent meeting with Majority Leader Gephardt, McDermott continued to press the state single-payer option. He would like Medicare to be offered as an alternative to private insurance for the non-elderly.

McDermott cosigned the DeFazio-Schroeder letter to Speaker Foley on inclusion of reproductive rights in the final bill.

McDermott voted with the Administration on NAFTA, Budget, Family and Medical Leave, and National Service.

News from Bob Packwood
U.S. Senator for Oregon

FOR IMMEDIATE RELEASE
July 21, 1994

Contact: Eric Bolton
(202) 224-8948

ADVISORYADVISORY***

Who: Oregon Senator Bob Packwood

What: Press Conference to discuss health care and the Portland kick off by Hillary Clinton of the bus tour

When: 1:30 p.m., Thursday, July 21, 1994

Where: Senate Commerce Committee Hearing Room, Russell 253

Oregon Senator Bob Packwood will hold a press conference to discuss health care and the kick off in Portland by Hillary Clinton of the bus tour to promote the Administration's health care plan.

-30-

News from Bob Packwood
U.S. Senator for Oregon

FOR IMMEDIATE RELEASE
July 21, 1994

Contact: Bobbi Munson
(202) 224-5083

PACKWOOD INVITED BY HILLARY CLINTON TO KICK OFF HEALTH CARE RALLY IN PORTLAND

Washington, D.C. – Oregon Senator Bob Packwood was invited by Hillary Clinton to accompany her on Air Force One on Friday, July 22, for a trip to Portland to participate in the kick-off rally for the latest Administration campaign for health care reform.

Senator Packwood said, "I will be unable to attend the rally with Mrs. Clinton in Portland because the Senate will be working on health care reform and other pressing legislation here in Washington. In fact, I will be meeting with President Clinton on trade legislation on Friday morning (July 22).

"I admire the First Lady's determination to change the way our health care system works, but I would caution her to make sure that what the Administration gets is what the American people want. We must remember that America has the best health care system in the world. Our system covers 85% of Americans right now. We can and should do better, but we should not throw away a system that has served so many so well. In other words, if you have termites in the walls, you don't need to burn down the entire house to get rid of them," concluded Packwood.

The Portland rally is the kick off for a cross-country bus tour promoting the President's health care plan, which Senator Packwood does not support. Senator Packwood is chief cosponsor of a bill with Senator Dole which guarantees access to health insurance, subsidizes insurance for low-income individuals and families, and makes insurance more affordable for small businesses.

-30-

THE WHITE HOUSE

WASHINGTON

July 19, 1994

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Hillary Rodham Clinton

FR: Jack Lew, Steve Edelstein and Maureen Shea

This memorandum is in preparation for your meeting tomorrow with 21 Democratic members of the House. This is the second meeting in the series of meetings with both supportive and swing members being arranged by Majority Leader Gephardt. A third is scheduled for tomorrow. Of the 21, thirteen are targets and two of those are HSA cosponsors. Two issues which are of concern to a number of the attendees are abortion and the tobacco excise tax with a fairly even division of pro and anti on both.

In terms of the status of the process in the House, you should know that the committee staff have been meeting since the end of last week to develop a single bill for the floor. While it will largely resemble the Ways and Means bill it will clearly have some changes. The major issues including the mandate and the level of subsidies will come back to the Chairmen and the Leaders for decision. But they are still working on schedule to get a bill to the Rules Committee by the first week in August.

ATTENDEES:

MAJORITY WHIP DAVE BONIOR (MI): Recently Rep. Bonior has said that the tobacco tax would have to be kept "reasonable" for the roughly 20 Democratic votes most sensitive to the tobacco industry. He told USA Today on July 18: "The alternatives may be so unappealing because of some of their deficiencies that at the end of the process, our proposal will be the last one standing."

CONGRESSMAN NEIL ABERCROMBIE (HI): A HSA and McDermott cosponsor, Rep. Abercrombie is a strong supporter of maintaining Hawaii's flexibility and of women's health.

CONGRESSMAN MIKE ANDREWS (TX): Voting against passage of the Ways and Means bill, Cooper cosponsor Andrews was particularly upset by the any willing provider provision. He would also like a much higher tobacco tax.

CONGRESSMAN JAMES BARCIA (MI): A freshman and Cooper cosponsor, Rep. Barcia signed the letter to Speaker Foley opposing coverage of abortion in the benefits package.

CONGRESSMAN SANFORD BISHOP (GA): A co-sponsor of all four major health bills, freshman Rep. Bishop has questioned the tobacco tax.

CONGRESSWOMAN LESLIE BYRNE (VA): Freshman Rep. Byrne has not cosponsored any of the health bills but is a strong supporter of women's health coverage. She faces a touch re-election.

CONGRESSMAN BOB CLEMENT (TN): A Cooper cosponsor, Rep. Clement questions the tobacco excise tax and is concerned about voting on the employer mandate before the Senate acts.

CONGRESSMAN PETER DEUTSCH (FL): A freshman and HSA cosponsor, Rep. Deutsch campaigned for universal care and abortion rights.

CONGRESSWOMAN KARAN ENGLISH (AZ): A freshman and member of the Education and Labor Committee, Rep. English is a HSA cosponsor. She supported passage of the bill in committee and has said that for her to continue to support the mandate, there will have to be subsidies for small business. She faces a tough re-election.

CONGRESSMAN TIM HOLDEN (PA): A freshman, Holden has not cosponsored any of the major health bills but did sign the letter to the Speaker opposing abortion coverage in the benefits package. He fears being "BTUed" again and questions Gephardt's statement that an employer mandate can pass the House.

CONGRESSMAN STENY HOYER (MD): A HSA cosponsor, Rep. Hoyer's major issue is treatment of federal employees and retirees.

CONGRESSWOMAN BLANCHE LAMBERT (AR): To help mollify Rep. Lambert's rural concerns, Chairman Dingell included a provision to allow family farmers to exclude seasonal workers in his bill. She has yet to cosponsor any bill and is concerned about small business. She doubts whether a mandate can survive the Senate and does not believe she can support one.

CONGRESSMAN RICHARD LEHMAN (CA): Rep. Lehman also has not cosponsored any of the bills and because of his rural concerns was one of those Chairman Dingell was trying to lure with the family farmers provision.

CONGRESSMAN JOHN LEWIS (GA): One of our strongest supporters from the beginning and a HSA cosponsor, Rep. Lewis was dismayed by the lowering of the tobacco tax at the Ways and Means Committee.

CONGRESSMAN ALAN MOLLOHAN (WVA): Rep. Mollohan co-signed the letter to Speaker Foley opposing abortion coverage and has not cosponsored any of the health bills.

CONGRESSWOMAN JILL LONG (IN): A strong proponent of women's health, Rep. Long has cosponsored both the HSA and Cooper. She feels we should do more for rural health care. She should be okay on the mandate but phase-in and subsidies will be critical.

CONGRESSMAN OWEN PICKETT (VA): Concerned about tobacco excise taxes, Rep. Pickett has not cosponsored any of the bills.

CONGRESSMAN GEORGE SANGMEISTER (IL): Retiring Rep. Sangmeister has not cosponsored any of the bills but did co-sign the letter to Speaker Foley opposing abortion coverage.

CONGRESSMAN JOSE SERRANO (NY): The Chairman of the Congressional Hispanic Caucus will undoubtedly have noted the President's strong speech on the importance of health care coverage to Hispanics. Rep. Serrano is a HSA and McDermott cosponsor whose concerns include coverage of undocumented workers and privacy protections for the Health Security Card.

CONGRESSMAN IKE SKELTON (MO): Rep. Skelton questions the employer mandate and has not cosponsored any of the bills. He cosigned the letter to Speaker Foley opposing abortion coverage.

CONGRESSMAN RON WYDEN (OR): While Energy and Commerce's Rep. Wyden has not cosponsored any of the bills, he is a strong proponent of health reform and should be there for us in the end. He co-signed the De Fazio-Schroeder letter supporting inclusion of abortion services in the benefits package.

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Clinton Library

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This marker identifies the original location of the withdrawn item listed above. For a complete list of items withdrawn from this folder, see the Withdrawal/Redaction Sheet at the front of the folder.

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Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23758

FOLDER TITLE:
HRC Memos - HSA [7]

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HRC Never Sent

August 8, 1994

RECOMMENDED TELEPHONE CALL

TO: Senator Baucus

DATE: August 8, 1994

RECOMMENDED BY: Chris Jennings

BACKGROUND:

General Backround

The Chairman of the Environment and Public Works Committee also serves on Finance an
Agriculture. Senator Baucus is a Health Security Act cosponsor whose primary concerns are cost containment and rural access. In the past, he has advocated a single payer approach and has had difficulties with the employer mandate, but he was comfortable with the provisions in the HSA.

Senator Baucus participated with Chafee's "rump" group on the Finance Committee to draft an alternative bill but dropped out because he did not feel the plan adequately tackled the issue of cost containment. Baucus has a package of rural health care proposals that he wants included in the reform bill. He supports: increased funding for the National Health Service Corps; helping rural hospitals through higher federal Medicare payments; increased grants for telecommunications in medicine; tax incentives and other enticements for health care providers to work in rural areas; and instituting health insurance changes to benefit rural residents.

During the July recess, Baucus said he found his constituents fairly divided in speaking for and against the plan. He met with the President on July 21st and again on August 5th to discuss health care reform. On July 28th, at a lunch hosted by Secretary Bentsen for a small group of Senators with the Administration's Economic Team, Baucus said that Montanans don't care about health care and those who do are "livid." Businessmen are adamantly opposed and middle-income folks are concerned they'll lose benefits. He said that even though the plan may be good for business, they have not been convinced.

Senator Baucus' support is critical to ensuring that the vote to strike the employer mandate does not prevail. He is extremely nervous and hesitated about making any commitments. He did tell the President that he was unlikely to support the Administration's position on the mandate vote, but would give the final commitment for the whole bill. Notwithstanding his statement to the President, we remain very uncertain whether he will oppose the motion to strike the employer mandate provision. We believe we need to be in contact with him, to acknowledge his difficulties, but to constantly encourage and thank him for his support on the mandate vote. Assuming we succeed, we will still have to work everyday to secure his vote for final passage.

In recent discussions, Senator Baucus was most concerned about mandates, with or without a trigger, in the absence of cost controls since there would be no assurances as to the cost businesses would be required to pay. Baucus said he believed that managed competition would cause an initial dip in health inflation, but over time it will start to go up again. While he supports premium caps as in the HSA, he does not see them passing. Senator Baucus said the tax on high cost plans in the Finance Committee bill would be passed on to consumers in the form of higher premiums, not to providers as lower reimbursement and would do little to control costs. He also thought the House cost control provisions relying on a fee schedule as in Medicare was politically unrealistic.

Baucus voted for NAFTA, National Service, and Budget Reconciliation.

TOPICS OF DISCUSSION: 1.

CONTACT PERSON AND
TELEPHONE NUMBERS:

DATE OF SUBMISSION: August 8, 1994

ACTION:_____

ALRC

August 7, 1994

RECOMMENDED TELEPHONE CALL

TO: Senator Baucus

DATE: August 8, 1994

TIME:

RECOMMENDED BY: Chris Jennings

PURPOSE: To

BACKGROUND: The Chairman of the Environment and Public Works Committee also serves on Finance and Agriculture. Senator Baucus is a Health Security Act cosponsor whose primary concerns are cost containment and rural access. In the past, he has advocated a single payer approach and has had difficulties with the employer mandate, but he was comfortable with the provisions in the HSA. He participated with Chafee's group on the Finance Committee to draft an alternative bill but dropped out because he did not feel the plan adequately tackled the issue of cost containment. Baucus has a package of rural health care proposals that he wants included in the reform bill. He supports: increased funding for the National Health Service Corps; helping rural hospitals through higher federal Medicare payments; increased grants for telecommunications in medicine; tax incentives and other enticements for health care providers to work in rural areas; and instituting health insurance changes to benefit rural residents.

During the July recess, Baucus said he found his constituents fairly divided in speaking for and against the plan. He met with the President on July 21st to discuss health care reform. On July 28th, at a lunch hosted by Secretary Bentsen for a small group of Senators with the Administration's Economic Team, Baucus said that Montanans don't care about health care and those who do are "livid." Businessmen are adamantly opposed and middle-income folks are concerned they'll lose benefits. He said that even though the plan may be good for business, they have not been convinced.

Sen. Baucus support is critical to ensuring that the vote to strike the employer mandate does not prevail. He is extremely nervous & has hesitated about making any commitments. He did tell the President that he was inclined unlikely to support the Administration's position on the mandate vote, but would agree no final commitment on the whole bill.

Notwithstanding his statement to the President, we remain very uncertain whether he will oppose the motion to strike the employer mandate provision. We believe we need to be in constant touch with him, to acknowledge his difficulties (in Montana), but to constantly encourage & thank him for his support on the mandate vote. Assuming we succeed, we will still have to work everyday to secure his vote for final passage.

Call again on August 5th

You

explain

In recent discussions,

Senator Baucus was most concerned about mandates, with or without a trigger, in the absence of cost controls since there would be no assurances as to the cost businesses would be required to pay. Baucus said he believed that managed competition would cause an initial dip in health inflation, but over time it will start to go up again. While he supports premium caps as in the HSA, he does not see them passing. Senator Baucus said the tax on high cost plans in the Finance Committee bill would be passed on to consumers in the form of higher premiums, not to providers as lower reimbursement and would do little to control costs. He also thought the House cost control provisions relying on a fee schedule as in Medicare was politically unrealistic. Lastly, he is [illegible] Sen. Moynihan's comments [illegible] Baucus voted for NAFTA, National Service, and Budget Reconciliation.

Sen. Moynihan. (He is being attacked by the NRA now for his position on the Brady Foundation bill)

TOPICS OF DISCUSSION:

1.

CONTACT PERSON AND TELEPHONE NUMBERS:

DATE OF SUBMISSION: August 7, 1994

ACTION: _____

MEMORANDUM

TO: Hillary Rodham Clinton **August 5, 1994**
FR: Chris Jennings
RE: Effect of the Mitchell Proposal on Washington/Oregon
cc: Melanne

Yesterday you asked how Senator Mitchell's bill would affect the ability of states such as Washington and Oregon to proceed with their health reform plans. The following is a quick assessment based on several conversations with Senate staff.

Background

Senator Mitchell's bill gives authority to states to implement universal coverage before 2002. States that want to move ahead of the universal coverage timetable laid out by the legislation may apply for expedited approval to do so through HHS and Labor. This authority will allow Washington, Oregon, and other states to overcome the ERISA (and Medicare and Medicaid) roadblocks that have prevented the enactment of comprehensive reform. At this time, according to Senator Leahy's and Senator Murray's office, Washington and Oregon seem to be supportive of the language that was included and hope to strengthen it further during the conference. (They apparently feel it is the best they will likely get out of the Senate.)

The "fast-track" authority largely removes ERISA as the main barriers to the enactment and financing of comprehensive reform in Oregon, Washington, and other states. The streamlined approval authority allows states to require employers to contribute to the health insurance of their employees. However, states are only allowed to mandate employer contributions that are consistent with the post-2002 federal requirements, and this restriction may require some changes in the Washington and Oregon plans. Washington state is largely consistent already: a 50-50 requirement with additional subsidies for firms with less than 25 employees. However, the Mitchell bill provisions have a carve-out for small employers and has a lower community rated firm size pool (500), so the Washington plan may require modest modifications. Similarly, the Oregon employer requirements would likely have to be modified to become consistent with the federal requirements.

Fast-track states would be required to provide a standard benefits package that meets the requirements specified in Mitchell's bill; it is not clear whether Oregon's prioritized list would be construed to be consistent with these requirements. (Although the administration has already approved the Oregon Medicaid waiver, the acute care portion of Medicaid is largely repealed under the Mitchell bill, so the effect of that waiver on the Oregon plan is unclear).

Finally, under Senator Mitchell's bill, reform-minded states would be required to "establish the subsidy program under this Act." It is not clear which subsidy program this refers to (pre- or post-mandate). This would likely require some change in Washington's and Oregon's legislation. Further analysis is needed to determine how much money this would require, and how much of this money the federal government would make available under the 'budget neutral' provision of the fast-track authority. The fast-track authority is designed to be budget neutral for the federal government: the federal government would pay the state the amount of subsidies that would otherwise have been paid in subsidies for state residents (net of any estimated decrease in Federal revenues due to the state program).

Conclusion

Senator Mitchell's bill goes a long way to removing the major impediment to state level implementation of comprehensive health care reform -- ERISA. States may be required to make modest changes to their reform programs to comply with the requirements of Senator Mitchell's proposed fast-track authority.

To reduce problems in this area, Senator Leahy, Senator Graham, Senator Murray, and others will attempt to expand the definition of "consistent" as it relates to whether states have to change their current laws relative to the new Federal template. At this time, however, they appear to have concluded that the best course of action is to protect the language they now have and try to amend it in conference. (They fear a floor amendment might well jeopardize what they have.) John Hart and Intergovernmental Affairs are working directly with the states to make certain that these and other states agree with this strategy and he will keep us informed of any changes.

p.s. The state of Hawaii should be very pleased with the language included in the Mitchell bill. It seems everything they need in order to go ahead with their planned modifications to their system. Lastly, a full analysis of the impact of Senator Mitchell's bill on Washington will be completed on Monday, August 8th and should it come to any inconsistent conclusion with this memo, we will forward it on to you at that time.

THE WHITE HOUSE

WASHINGTON

July 27, 1994

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton

FR: Chris Jennings, Steve Edelstein, and Maureen Shea

This memorandum is in preparation for your meeting tomorrow with the Senate supporters of universal coverage. In addition, Melanne is working to arrange an oral briefing prior to the meeting.

BACKGROUND:

Senators Daschle and Rockefeller requested this meeting as an opportunity to "rally the troops" before floor consideration. They have been putting pressure on Majority Leader Mitchell, and urging others to do likewise, to stay with universal coverage. A number would prefer no bill to one that is seriously weakened. There is a sense that Mitchell's retirement is causing both him and his staff to be less firm in their resolve than they might otherwise be. They will want reassurance that the Administration is holding the line on universal coverage and that the Mitchell bill will meet that standard. They will also be interested to hear about the ammunition, in terms of the latest materials and reports, that have been produced to help them win this fight. Finally, those attending will likely want an opportunity to ask some final questions.

UPDATE ON THE MITCHELL BILL:

There was good news and potentially problematic news coming out of the President's meeting with Senator Mitchell today. The good news is that Senator Mitchell has agreed to a legislative initiative that guarantees a failsafe trigger mechanism with an employer/employee mandate. The only way the trigger will not be pulled is if Congress approves an alternative recommendation by a national commission which has been certified to reach universal coverage by another means. The potential problem is that while you may achieve something that is close to universal coverage you may not achieve coverage that is affordable (because it does not have adequate cost containment). A copy of the current language on the Mitchell trigger mechanism is attached for your review.

TALKING POINTS:

- **Expression of Appreciation:** This is an opportunity to again thank those who have been real troopers for the cause of universal coverage from the beginning. You may also wish to note that their willingness to "hang in there" when the notion of universal coverage has come under great scrutiny means a great deal to you personally.

- **Reassurance on Universal Coverage:** The administration is unified in its support for universal coverage and all administration principles are continuing to emphasize this bottom line in every available forum.

- **Reassurance on the Mitchell Bill:** We are confident from our conversations with him that Senator Mitchell's bill will achieve universal coverage.

- **Review of Materials:** You may wish to review some of the materials which have been produced recently that are good ammunition for the fight for universal coverage over the next few weeks:
  - Catholic Hospital Association Report
  - Academic Health Leaders Letter
  - List of Supportive Businesses
  - Treasury Report
  - Gleason Charts

- **Critical Role:** Their visibility and ability to shape what happens on the floor, particularly their readiness to deal with whatever amendments may be offered, is vital.

- **Other Issues:** They may well ask about the CBO report on the Finance Committee Bill. We do not want to be in the position of criticizing the bill, however the outside groups and a number of these Senators have been active in their opposition to it. If asked you may wish to note you understand the report has yet to come out but from press reports it appears that it does not reach universal coverage, a fact that Chairman Moynihan acknowledged when the bill passed in Committee.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. memo	Steve Edelstein, Maureen Shea to Hillary Clinton Re: Trip to Boston (4 pages)	7/29/94	P5

This marker identifies the original location of the withdrawn item listed above. For a complete list of items withdrawn from this folder, see the Withdrawal/Redaction Sheet at the front of the folder.

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23758

FOLDER TITLE:
HRC Memos - HSA [7]

gf133

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
M. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE WHITE HOUSE

WASHINGTON

July 27, 1994

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Hillary Rodham Clinton

FR: Chris Jennings, Steve Edelstein, and Maureen Shea

RE: Profiles of members attending meeting with Senator Daschle

PROFILES:

SENATOR TOM DASCHLE (SD): Senator Daschle's primary concern is maintaining universal coverage. He believes the country will become engaged as the debate moves to the floor.

SENATOR DANIEL AKAKA (HI): His primary interests are state flexibility and treatment of federal employees and retirees.

SENATOR CHRIS DODD (CT): Dodd has been a bit nervous of late but a phase-in with emphasis on coverage for children should answer any reservations he may be having.

SENATOR RUSS FEINGOLD (WI): Senator Feingold has not cosponsored any of the major reform plans. He has said he would only vote for a bill which includes significant long-term care.

SENATOR BOB GRAHAM (FL): With Florida embarking on its own path toward universal coverage, Senator Graham is very interested in flexibility for his and other states to do so. He had a meeting with White House staff to discuss options so that states could move forward on their own should a mandate fail.

SENATOR TOM HARKIN (IA): Senator Harkin wants to be sure rural areas are well treated and that legislation is passed this year. Other concerns are funding for medical research and strong anti-fraud provisions.

SENATOR TED KENNEDY (MA): Senator Kennedy has been working on floor strategy with Senators Daschle and Rockefeller.

SENATOR CARL LEVIN (MI): Senator Levin believes that those who are worried about losing benefits are the base of support we must get to have health reform enacted.

SENATOR METZENBAUM (OH): Fear of insurance companies benefitting from health care reform and changes to antitrust laws continue to be Senator Metzenbaum's overriding issue.

SENATOR BARBARA MIKULSKI (MD): Full coverage for women, a need for one White House voice both publicly and in negotiating are Senator Mikulski's concerns.

SENATOR MOSELEY-BRAUN (IL): Women and children are the primary issues for Senator Moseley-Braun.

SENATOR PATTY MURRAY (WA): Senator Murray is adamant in her support for women's health and the employer mandate.

SENATOR CLAIBORNE PELL (RI): Senator Pell has raised the possibility of a tax on firearms which would be devoted to health care.

SENATOR DAVID PRYOR (AR): Senator Pryor predicts health care reform, "like a bear coming out of hibernation," is about to happen. As always, long-term care and prescription drugs are his priority issues.

SENATOR HARRY REID (NV): Local groups report that while Senator Reid supports the employer mandate, he thinks we will have to consider triggers.

SENATOR JAY ROCKEFELLER (WVA): Sen. Rockefeller is working with Senators Daschle and Kennedy on floor strategy.

SENATOR PAUL SIMON (IL): Following the President's remarks to the National Governor's Association, Senators Simon and Wellstone held a news conference at which they had a bowl with each of the Senators names on slips of paper. They drew out five of those slips in order to demonstrate how 95% coverage would affect the Senate. Those five would presumably be without coverage – the first name drawn was that of Senator Moynihan. Having received widespread coverage for this publicity stunt, Senator Simon hopefully feels he has made his point.

SENATOR PAUL WELLSTONE (MN): Supporters of universal coverage not being taken for granted is Senator Wellstone's major worry.

UNCONFIRMED (May Attend):

SENATOR JEFF BINGAMAN (NM): Not a HSA or Wellstone cosponsor, Senator Bingaman is most concerned about small business. He is comfortable with the formulation with the carve out for businesses with fewer than 10 employees that came out of the Labor Committee.

SENATOR BARBARA BOXER (CA): Like the other women attending, comprehensive women's benefits will be Senator Boxer's issue.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

To: Hillary Rodham Clinton

From: Chris Jennings

Re: Phone Calls to Senators

Date: July 15, 1994

Following up on our meeting yesterday, we (Pat, Steve and I) have developed an updated list of where we believe our Senate members are in regards to health reform. As you will note, we have 43 members who we feel very good about and 4 additional members who we believe are very likely possibilities and 10 others who we believe could go either way. Previously, we shared a similar list with Senator Mitchell's staff. We will give this one to them as well, to buck up their spirits.

From the whip count list, we have produced a second list that outlines recommended calls and meetings for the President and yourself. For this exercise, we are targeting our core group of supporters and likely supporters. If you approve, we would like to get started on these right away.

THE WHITE HOUSE

WASHINGTON

CALL/MEETING LIST BY PRINCIPALS

FLOTUS

CALL	MEET
Bingaman	Campbell
Bumpers	Exon
Heflin	Feingold
Jeffords	Feinstein
Kennedy	Heflin
Kerry	Levin
Leahy	Robb
Metzenbaum	
Mikulski	
Mitchell	
Moseley-Braun	
Pryor	
Riegle	
Wellstone	

THE WHITE HOUSE

WASHINGTON

SENATE STATUS (7/14/94)

[Democrats and Senator Jeffords Only]

Solid Base	**Core**	**Likely**	**Good Chance**	**Swing**
27 (27)	8 (35)	8 (43)	4 (47)	10 (57)
Akaka	Baucus	Biden	Bradley	Boren
Boxer	Bumpers	Campbell	Breaux*	Bryan*
Bingaman	Byrd	Deconcini	Feinstein	Conrad*
Daschle	Feingold	Dorgan*	Hollings*	Ford
Dodd	Kerry	Exon		Johnston*
Glenn	Mathews	Heflin		Kerrey
Graham	Sasser	Kohl		Lautenberg*
Harkin	Wellstone	Robb		Lieberman*
Inouye				Nunn
Kennedy				Shelby
Leahy				
Levin				
Metzenbaum				
Mikulski				
Mitchell				
Moseley-Braun				
Moynihan				
Murray				
Pell				
Pryor				
Reid				
Riegle				
Rockefeller				
Sarbanes				
Simon				
Wofford				
Jeffords				

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* = Face-to-Face Meetings Held or to be Scheduled

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

To: Hillary Rodham Clinton

From: Chris Jennings

Date: June 28, 1994

Re: Senate Finance Committee Update

cc: Melanne Verveer

Attached is the Chairman's mark that Senator Moynihan released earlier this evening. This is the proposal that incorporates the same trigger to an employer/employee requirement that Senator Breaux advocated several weeks ago.

Also attached is the latest version of the "rump group" proposal. Earlier today we met with Christy Ferguson of Senator Chafee's staff and Susan Foote of Senator Durenberger's staff to discuss their latest proposal. Interestingly, Mike Dahl of Senator Bradley's office also was an unexpected participant. During the conversation it became clear that they are considering other modifications to their proposal that would provide for more certain budget neutrality guarantees. It is also clear based on other conversations that they and Senator Danforth's staff remain open to a hard trigger to an individual mandate, yet prefer to hold off any such change until the full Senate considers floor amendments.

The Finance Committee will be meeting tomorrow to walk through the Chairman's mark and receive opening statements. Senator Moynihan and Senator Packwood have agreed to a 36-hour review period of the Chairman's mark. This means that votes on and amendments to the Chairman's mark will not take place until Thursday. At that time, it appears that Senator Moynihan will try to push for a vote on his mark; it remains very unclear however as to whether the other members will be prepared to vote on Senator Moynihan's proposal.

As of this writing, it appears certain that Senators Boren, Breaux and Conrad will vote against the hard trigger proposal. Should this occur, we have eight remaining Democrats who potentially might vote for it and would provide a strong base for an employer requirement. Having said that, Senators Bradley and Baucus are likely to be very difficult votes to attract to this package. I am working with Pat, Harold and Steve to develop a strategy to create an environment in which they would be more likely to vote for this package. (For example, we may need to work with Senator Baucus in helping him draft an amendment to provide greater assistance to small businesses; with Senator Bradley, we will continue our outreach effort with old influential staff such as Susan Thomases and Ken Apfel as well as an ongoing outreach effort from Harold). We will keep you apprised of any developments.

We are united in our belief that our highest priority is getting a bill, preferably a reasonably solid bill, out of the Finance Committee as soon as possible. However, keeping in mind that the committee will insist upon at least some CBO numbers to back up their proposals, and considering how few days remain before the July 4th recess, it appears highly unlikely that the committee will report out a bill prior to the members departure for their break. The best we can hope for is getting some type of agreement on the basic foundation of a compromise that can achieve committee support (which can be scored by CBO/OMB over the recess).

To help facilitate timely action by the committee, we have been providing significant technical assistance to the Chairman's staff. Much of this assistance is represented in the Chairman's mark. At the lower staff level, they are very appreciative of our assistance. We will need to continue to build on this relationship in order for the committee to develop a package that can be scored as a budget neutral or deficit reducing initiative. For example, it will be very difficult to make the numbers work for a policy marriage between the Chairman's mark and the Chafee "rump group" proposal. (This is important because the committee now believes that this is the direction they will go). We will continue to encourage the committee staff to call on us for assistance.

June 27, 1994

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: JACK LEW

SUBJECT: STATUS OF HOUSE HEALTH CARE BILLS

In preparation for you meetings with swing House members, Melanne suggested that it would be useful to prepare a summary of the House committee bills. In addition, I thought it would be useful to summarize the approach which Majority Leader Gephardt has been taking in his meetings with these members, and the approach to a floor compromise which he has been floating.

HOUSE EDUCATION AND LABOR

The bill reported from the House Education and Labor Committee preserves the key aspects of the Health Security Act -- notably the employer mandate and premium caps. Most of the attention on the Education and Labor Committee bill has focussed on the spending increases (both benefits and subsidies), which has obscured a very serious effort to design a workable system, without mandatory alliances, which can accomplish both community rating and cost containment.

Voluntary Alliance Structure. The most significant change is a switch from mandatory to voluntary alliances. The Committee preserved alliance functions, with an approach which can accomplish true community rating and provide individual choice of health plans. The Committee kept a high threshold for experience rating -- firms of 1,000 and over. There was a serious effort in Committee to reduce the size to 500, but Pat Williams thought it was important for at least one Committee to keep open the option a larger size threshold for the community pool. The bill imposes a 1 percent of payroll assessment on firms which are outside of the community pool and therefore remain experience rated. It does not permit these firms the option of choosing to come into the pool. This assures that the revenue estimates for the corporate assessment will hold up, and it also prevents firms above the threshold from adversely selecting to remain in or out of the community pool.

Benefits and Subsidies. In the area of benefits, the Education and Labor Committee expanded the HSA package in several areas, particularly dental coverage, mental health and women's health. With regard to subsidies, the bill expands subsidies for the smallest firms.

WAYS AND MEANS

The Ways and Means Committee is likely to complete action this week on a version of health care reform which will include a mandate, some level of cost containment and universal coverage. The major change made by Ways and Means is the use of a public program -- Medicare Part C -- as a fee for service option that will be broadly available to firms of one hundred and less, as well as the unemployed and medicaid populations. In addition, Ways and Means has a far less generous business subsidy schedule, limited to a much smaller universe of firms -- firms with 50 or fewer employees and an average salary of $26,000 or below. Moreover, the subsidies phase out by 2005.

Cost Containment. Cost containment within Medicare Part C is accomplished through the Medicare fee and reimbursement rate schedules. Since federal subsidies are determined by Medicare Part C spending levels, this will keep federal spending at target rates of growth that are GDP plus one percent. The mark also requires private side cost containment, with state flexibility on how to accomplish the targets and federal rate schedules as a back-up if they fail. These private side cost containment provisions are very likely to be diluted, and may be eliminated, in the mark-up today or tomorrow.

Since federal spending is protected by the Medicare Part C structure, this would leave the risk of unconstrained private health care costs on private premiums paid by employers and workers. With Medicare Part C open to roughly one third of the workforce plus the unemployed and medicaid populations, there is likely to be some pressure on private plans to compete with the Medicare Part C price levels, but this would not be required if the private side cost containment is either delayed or deleted. For larger firms, the only pressure for cost containment would be the fact that smaller firms have lower cost options available to them.

Overall, the Medicare Part C approach is designed to create a cost constrained option which will either drive the market towards cost containment or represent an attractive alternative when future proposals to expand the public program are considered.

Community Rating. The Ways and Means bill community rates firms of one hundred or less, in three separate pools -- individuals, small employers and associations. This is the lowest threshold of any of the bills that have advanced through Committee so far, with House Education and Labor at 1,000 and Senate Labor at 500. While this is probably workable given the structure of the Ways and Means bill, it certainly represents the lowest level at which serious community rating could be accomplished.

Managed Care. A series of amendments reflect a serious challenge to the ability of HMO's to manage their operations. Both any willing provider and expanded point of service amendments were adopted on Thursday. The managed care community is reeling from these votes, which reflected a coming together of several forces -- the AMA (particularly specialty docs); chronic health groups; and single payer advocates. Overall, the debate reflected substantial misgivings about forcing the market towards managed care without expanding on the choice of doctor to the point where managed care may not be practical.

Gephardt Approach. In his meetings with members, Majority Leader Gephardt has been looking for a bottom line which can garner a majority on the floor. He has started by asking members whether they can support a mandate. If the answer is no, he has proceeded to ask whether they can support either a trigger or a phase in. He has concluded that at the moment, the House could muster a thin majority for a mandate with a delayed effective date, so that by a date certain there would be both a mandate and universal coverage. Senate discussion of soft triggers and a world without mandates has so far not eroded this position, though the threat of further erosion is still present.

Gephardt has also presented members with analyses of the various plans, converting the impact of the employer mandate into a minimum wage comparison. He has found the attached tables very useful with members.

Gephardt alternative. In various degrees, Gephardt has presented members with an outline of an approach that he is looking at to bring the bills together on the floor. Since he has not yet shared all of these details widely, the following description is for your background rather than for use with members. Since the leadership and the Committees have not yet reached an agreement on how to proceed with a floor package, the details of the Gephardt approach are quite sensitive.

He has been promoting a subsidy schedule based on individual wages (a variant of the Mitchell model) rather than total firm payroll, which has the effect of targeting more dollars to lower wage firms regardless of size. This would address the problems of the large low wage employers (retailers and restaurants in particular) which he feels will be a big issue on the floor. He also would use a firewall to require larger firms to remain out of the community pool and to pay a corporate assessment.

While Gephardt is generally building on the Ways and Means model, allowing for a Medicare Part C, he is also trying to merge the idea of an FEHBP option with the Ways and Means approach to create a structure that will encourage private plans to compete with the cost constrained public program. He would generally adopt the Education and Labor approach to a voluntary alliance structure. His objective is to provide a serious amount of competitive market structure as political cover for an approach that would otherwise look too public on the floor, at the same time capitalizing on the argument that the American people should be entitled to have health coverage as good as that provided to Members of Congress.

SUMMARY OF RESULTS FOR HYPOTHETICAL FIRMS (MODEL 1: HEALTH SECURITY ACT)

> Health Security Act benefits package.

> Employers participating in regional alliances pay the total employer share of the premiums or 7.9% of payroll, whichever is less. Small firms are eligible for lower caps (based on size and average wage of the firm).

	# Of Employees	Average Wage Of The Firm	Typical Payment Per Covered Worker In Current Market	Annual Average Employer Payment Per Worker	Total Employer Payment	Total Government Subsidy
Firm 1	5	$11,000	$2,600 / $1.25 per hour	$385 / $0.19 per hour	$1,925	$10,110
Firm 2	50	$11,000	$2,500 / $1.20 per hour	$583 / $0.28 per hour	$29,150	$91,200
Firm 3	100	$11,000	$2,800 / $1.35 per hour	$869 / $0.42 per hour	$86,900	$153,800
Firm 4	500	$11,000	$3,000 / $1.44 per hour	$869 / $0.42 per hour	$434,500	$769,000
Firm 5	1,000	$11,000	$3,000 / $1.44 per hour	$869 / $0.42 per hour	$869,000	$1,538,000
Firm 6	6,000	$11,000	$3,200 / $1.54 per hour	$2,517 / $1.21 per hour	$15,102,000	$0
Firm 7	5	$25,200	$2,600 / $1.25 per hour	$1,991 / $0.96 per hour	$9,954	$2,081
Firm 8	50	$25,200	$2,500 / $1.20 per hour	$1,991 / $0.96 per hour	$99,540	$20,810
Firm 9	100	$25,200	$2,800 / $1.35 per hour	$1,991 / $0.96 per hour	$199,080	$41,620
Firm 10	500	$25,200	$3,000 / $1.44 per hour	$1,991 / $0.96 per hour	$995,400	$208,100
Firm 11	1,000	$25,200	$3,000 / $1.44 per hour	$1,991 / $0.96 per hour	$1,990,800	$416,200
Firm 12	6,000	$25,200	$3,200 / $1.54 per hour	$2,659 / $1.28 per hour	$15,954,000	$0
Firm 13	5	$39,600	$2,600 / $1.25 per hour	$2,407 / $1.16 per hour	$12,035	$0
Firm 14	50	$39,600	$2,500 / $1.20 per hour	$2,407 / $1.16 per hour	$120,350	$0
Firm 15	100	$39,600	$2,800 / $1.35 per hour	$2,407 / $1.16 per hour	$240,700	$0
Firm 16	500	$39,600	$3,000 / $1.44 per hour	$2,407 / $1.16 per hour	$1,203,500	$0
Firm 17	1,000	$39,600	$3,000 / $1.44 per hour	$2,407 / $1.16 per hour	$2,407,000	$0
Firm 18	6,000	$39,600	$3,200 / $1.54 per hour	$2,803 / $1.35 per hour	$16,818,000	$0

Notes

> Employer payments under reform are based on CBO premium estimates, with the Health Security Act benefits package.

> Firms with more than 5,000 employees that choose to form corporate alliances must pay an assessment equal to 1% of payroll. This assessment (included in the figures above) amounts to an average of $0.05 per hour for a firm with an average wage of $11,000, $0.12 per hour for a firm with an average wage of $25,200, and $0.19 per hour for a firm with an average wage of $39,600. Large firms can avoid the assessment by obtaining coverage through regional alliances, which CBO assumed most firms would do.

> Calculations assume all employees work a 40 hour work week, and that each firm has an average distribution of employees across types of families (single, couple, single parent with children, two parents with children).

SUMMARY OF RESULTS FOR HYPOTHETICAL FIRMS (MODEL 2)

(Gephardt Subsidies).

> 5% reduction in the value of the benefits package relative to the Health Security Act.

> Employer subsidies are based on each individual worker's wages, and therefore are greatest in firms with the largest number of low-wage workers. For each worker, the employer pays the lesser of the premium for that worker or the following caps based on the worker's wage: 5.5% for workers earning $12,000 or less, 8.0% for workers earning $12,001-$15,000, 10.0% for workers earning $15,001-$18,000, and 12.0% for workers earning more than $18,000.

	# Of Employees	Average Wage Of The Firm	Typical Payment Per Covered Worker In Current Market	Annual Average Employer Payment Per Worker	Total Employer Payment	Total Government Subsidy
Firm 1	5	$11,000	$2,600 / $1.25 per hour	$680 / $0.33 per hour	$3,400	$8,033
Firm 2	50	$11,000	$2,500 / $1.20 per hour	$680 / $0.33 per hour	$34,000	$80,333
Firm 3	100	$11,000	$2,800 / $1.35 per hour	$680 / $0.33 per hour	$68,000	$160,665
Firm 4	500	$11,000	$3,000 / $1.44 per hour	$680 / $0.33 per hour	$340,000	$803,325
Firm 5	1,000	$11,000	$3,000 / $1.44 per hour	$790 / $0.38 per hour	$790,000	$1,606,650
Firm 6	6,000	$11,000	$3,200 / $1.54 per hour	$790 / $0.38 per hour	$4,740,000	$9,639,900
Firm 7	5	$25,200	$2,600 / $1.25 per hour	$1,745 / $0.84 per hour	$8,723	$2,710
Firm 8	50	$25,200	$2,500 / $1.20 per hour	$1,745 / $0.84 per hour	$87,233	$27,100
Firm 9	100	$25,200	$2,800 / $1.35 per hour	$1,745 / $0.84 per hour	$174,466	$54,199
Firm 10	500	$25,200	$3,000 / $1.44 per hour	$1,745 / $0.84 per hour	$872,330	$270,995
Firm 11	1,000	$25,200	$3,000 / $1.44 per hour	$1,997 / $0.96 per hour	$1,996,660	$541,990
Firm 12	6,000	$25,200	$3,200 / $1.54 per hour	$1,997 / $0.96 per hour	$11,979,960	$3,251,940
Firm 13	5	$39,600	$2,600 / $1.25 per hour	$2,189 / $1.05 per hour	$10,947	$487
Firm 14	50	$39,600	$2,500 / $1.20 per hour	$2,189 / $1.05 per hour	$109,466	$4,867
Firm 15	100	$39,600	$2,800 / $1.35 per hour	$2,189 / $1.05 per hour	$218,932	$9,733
Firm 16	500	$39,600	$3,000 / $1.44 per hour	$2,189 / $1.05 per hour	$1,094,660	$48,665
Firm 17	1,000	$39,600	$3,000 / $1.44 per hour	$2,585 / $1.24 per hour	$2,585,320	$97,330
Firm 18	6,000	$39,600	$3,200 / $1.54 per hour	$2,585 / $1.24 per hour	$15,511,920	$583,980

Notes

> Employer payments under reform are based on CBO premium estimates, with a 5% reduction in the value of the benefits package relative to the HSA.

> Employer subsidies are based on each individual worker's wages, and therefore are greatest in firms with the largest number of low-wage workers. A 5.5% cap applies to low wage workers (with wages of $12,000 or less) in all firms.

> All firms with 1,000 or more employees must pay an assessment equal to 1% of payroll. This assessment (included in the figures above) amounts to an average of $0.05 per hour for a firm with an average wage of $11,000, $0.12 per hour for a firm with an average wage of $25,200, and $0.19 per hour for a firm with an average wage of $39,600. It is likely that a 1,000 employee firm would drop to 999 employees and avoid the assessment.

> Calculations assume all employees work a 40 hour work week, and that each firm has an average distribution of employees across types of families (single, couple, single parent with children, two parents with children).

Summary
Committee on Education and Labor
H.R. 3600, Health Security Act, as reported
June 23, 1994

On Thursday, June 23, 1994, the Committee on Education and Labor, by a vote of 26-17, ordered reported H.R. 3600, the "Health Security Act", as amended. During full committee markup of the measure the Committee considered more than 90 amendments and adopted 51 amendments (40 sponsored by Democratic Members, 11 sponsored by Republican Members). The committee-reported bill builds upon the legislation submitted by President Clinton and differs from the President's bill in the following ways:

- Lowers the threshold at which employers may function as large group sponsors from 5,000 to 1,000.

- Replaces mandatory alliances with a structure of consumer purchasing cooperatives along with enhanced consumer protections, established by each State.

- Provides more generous subsidies for all small businesses, with particular assistance to businesses with fewer than 25 employees and increases premium subsidies for workers in low income households up to 200% of poverty.

- Modifies the comprehensive benefits package to include additional services for women and children, preventive and diagnostic dental care for adults, expanded mental health benefits for all individuals.

- Extends the phase-in for allocation of graduate medical education residency positions, increases funding for direct and indirect medical education, and establishes a pool of funds for medical schools.

- Provides for the adoption of uniform standards for health information, facilitates the development of an electronic National Health Care Data Network, and establishes patient protections in accessing information.

- Enhances workforce protections and training opportunities for displaced health care workers.

- Modifies workers compensation provisions to protect injured workers in receiving health services and prevent cost-shifting onto workers' compensation carriers.

- Establishes a "consumer bill of rights" and independent consumer advisory committees for health plans and provides greater patient protections by including due process safeguards over provider membership in managed care networks.

- Provides for coordination between health plans and

disability programs as well as Older Americans Act programs.

- Provides a premium discount for employers who sponsor health promotion (wellness) programs and establishes an occupational health grant program.

- Provides lower cost sharing copayments to all households with incomes of up to 150% of poverty and changes the individual out of pocket limits in the benefits package from $1500 to $2500.

- Provides parity for mental health benefit coverage for inpatient services in general and psychiatric hospitals.

- Increases funding for community health centers and the "vulnerable population adjustment" targeted principally at public hospitals.

- Modifies comprehensive school health education and health service provisions to be more responsive to local community needs.

- Provides for expansion of the National Health Service Corps to encourage service in underserved rural and urban communities, increases funding for State public health programs and establishes a national program for training community health advisors.

- Permits members of certain religious faiths to elect not to participate in the Health Security Act, consistent with existing statute governing social security coverage.

This is the first of two events arranged by Gephardt to provide the opportunity to talk to swing House Members before the recess. The group on Wednesday is about 30 Members; on Thursday 20 Members. Both groups are split evenly between swing Members and supporters to ensure the audience is receptive. These are private meetings, closed to the press, but Members will undoubtedly talk.

It is important to convey both the political and substantive importance of universal coverage. The swing Members need to be convinced that universal coverage is the right result, both for health care and for their politics.

Several points:

o Universal coverage is the President's bottom line. If it isn't universal coverage, it doesn't solve the problems. Universal coverage means coverage for every American.

o Incremental reform, without universal coverage, leaves behind working people, the middle class. Even under the most optimistic version of incremental reform, at least 24 million Americans, over 2/3 of them working people, would not have coverage. Middle class Americans with health coverage at work would be at risk of losing their coverage when they lose a job, get sick, or change jobs.

o The conventional wisdom, that incremental reform will achieve agreed-on goals, like eliminating pre-existing condition restrictions, achieving community rating, allowing portability, is wrong. Without universal coverage you cannot really accomplish these goals in a way that will benefit most people.

o Incremental approach with subsidies for poor also increases the deficit by $300 billion.

o The poor have Medicaid; the wealthy can afford coverage; it is the middle class that will be left behind.

o The working class people that will be left behind just happen to be the voters the Democrats need to win elections.

o Polling information is on our side --

The Washington Post/ABC poll of Tuesday shows overwhelming support for fundamental reform --

- o 78% support universal coverage
- o 72% support employer mandate
- o 75% support price controls

The Newsweek poll of last week found that 53% would hold it

against Members of Congress if they voted against health care reform.

o Remember that when you phase in universal coverage, stretching out the requirements on employers, as all the Committees are doing, the cost to business is less than the last minimum wage increase.

o Business support is growing -- there is a long list of big businesses supporting universal coverage and an employer requirement. (List attached) It is growing because these businesses recognize the importance of universal coverage to them. Without universal coverage, the current 30% cost shift -- them paying for the uninsured -- will continue and grow worse.

o Small business support is also growing. There is an event on Thursday at the White House with many Members and small businesses. The small business coalition has grown astronomically; they recognize that it is small business which is most harmed by the current system.

o Health care reform is necessary for Democrats to win elections. Democrats can show that they are the party that can improve the lives of working people. Republican efforts to obstruct, to filibuster, provide Democrats with an important opportunity to draw a distinction. Democrats believe in providing health security to the middle class; Republicans believe in gridlock, obstructing the process on behalf of the special interests to preserve the status quo.

June 28, 1994

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Hillary Rodham Clinton
FR: Steve Edelstein and Maureen Shea

The following is in preparation of your meeting with 30 members of the House. The group includes 13 supporters (Health Security Act cosponsors who are also members of Rep. Gephardt's "Green Berets" and 17 targeted members (uncommitted or cosponsors of the Cooper or Rowland bills). The Ways and Means members may not attend depending on the mark-up schedule tomorrow.

SWING MEMBERS

CONGRESSMAN MIKE ANDREWS (HOUSTON, TX): While advocating a bipartisan bill, Andrews put aside his objections to Chairman Gibbons's lower cigarette tax in order to help get the bill through Ways and Means.

CONGRESSMAN PETER BARCA (RACINE, WI): While he has not cosponsored any of the major health reform bills, he is expected to be with the Administration when needed.

CONGRESSMAN JAMES BARCIA (SAGINAW, MI): A Cooper cosponsor, Barcia wants to be sure osteopathic physicians are included.

CONGRESSMAN TOM BEVILL (JASPER, AL): Unopposed in this year's election, Bevill has not cosponsored any of the major bills but publicly supports universal health coverage.

CONGRESSMAN GLEN BROWDER (ANNISTON, AL): A Cooper and Rowland-Bilirakis cosponsor, Browder has told local groups he is not totally opposed to an employer mandate.

CONGRESSWOMAN LESLIE BYRNE (ANNANDALE, VA): An endangered freshman, Byrne has not cosponsored any of the bills and is primarily interested in federal employees and reproductive rights.

CONGRESSMAN BOB CLEMENT (NASHVILLE, TN): Clement has cosponsored both Cooper and Rowland and his concerns are small business and rural areas, as well as tobacco.

CONGRESSMAN "BUDDY" DARDEN (MARIETTA, GA): Darden is a Rowland-Bilirakis cosponsor and considered one of the incumbents most in jeopardy.

CONGRESSMAN ERIC FINGERHUT (WILLOUGHBY HILLS, OH): A freshman who has not cosponsored any of the health bills, Fingerhut opposes mandates.

CONGRESSWOMAN JANE HARMAN (LOS ANGELES, CA): A freshman with a difficult re-election before her, Harman has not cosponsored any of the plans but is a strong supporter of reproductive rights.

CONGRESSMAN JAY INSLEE (YAKIMA, WA): Inslee has not cosponsored any of the major bills and is most worried about financing and creating new entitlements. He is also concerned about how a vote for reform would be received in his marginal district which is very anti-government.

CONGRESSMAN LARRY LAROCCO (BOISE, ID): Larocco has not cosponsored any of the reform legislation but has introduced a bill to provide for development of rural telemedicine.

CONGRESSMAN RICHARD LEHMAN (FRESNO, CA): Lehman has not cosponsored any of the plans, is most concerned about rural issues, and faces a very tough election.

CONGRESSMAN ALLAN MOLLOHAN (MORGANTOWN, WV): Pro-rural areas and anti-choice, Mollohan has not cosponsored any of the major bills.

CONGRESSMAN STEPHEN NEAL (WINSTON-SALEM, NC); Neal questions the HSA's cost estimates and is a Cooper and Rowland cosponsor.

CONGRESSMAN OWEN PICKETT (VIRGINIA BEACH, VA): Pickett has not cosponsored any of the health legislation. Small business will probably be a concern.

CONGRESSMAN BILL SARPALIUS (WICHITA FALLS, TX): The Chairman of the Small Business Committee's Health Subcommittee, Sarpalius has not cosponsored any of the health bills.

HSA COSPONSORS

CONGRESSWOMAN ROSA DELAURO (NEW HAVEN, CT): An enthusiastic supporter, Delauro is adamant about providing universal coverage.

CONGRESSWOMAN EDDIE BERNICE JOHNSON (DALLAS, TX): Freshman member Johnson is a nurse and formerly worked in the HHS regional office. Her Dallas constituency is heavily African-American and Hispanic.

CONGRESSWOMAN HARRY JOHNSTON (BOYNTON BEACH, FL): Johnston's district has one of the highest percentages of elderly in the country.

CONGRESSMAN MIKE KREIDLER (TACOMA, WA): Kreidler, a freshman who comes to Congress with a strong background in health care -- he is an optometrist with a masters degree in public health. He serves on the Energy and Commerce committee.

CHAIRMAN JOHN LAFALCE (BUFFALO, NY): LaFalce, the House Small Business Committee chairman, continues to be a strong soldier with the small business community.

CONGRESSMAN SANDER LEVIN (DETROIT, MI): Levin, a Ways and Means Committee member, continues to have concerns about payroll taxes and small business.

CONGRESSMAN JOHN LEWIS (ATLANTA, GA): A strong supporter, Lewis has found the compromises at Ways and Means on the tobacco tax particularly difficult.

CONGRESSMAN MEL REYNOLDS (IL): Also a McDermott cosponsor, Reynolds is the only Democratic freshman to earn a seat on the Ways and Means Committee. He is from Chicago and close to Chairman Rostenkowski.

CONGRESSMAN JOSE SERRANO (NY): Also a McDermott cosponsor, Serrano's concerns will mirror those of the caucus, primarily privacy protections and coverage for undocumented workers.

CONGRESSWOMAN KAREN SHEPHERD (UT): Shepherd, who previously owned a small publishing business, has been steadfast in her support of the HSA despite her tough district.

CONGRESSMAN DAVID SKAGGS (BOULDER, CO): A former Marine in Vietnam, Skaggs has been strong in supporting the need to pass health care reform this year.

CONGRESSWOMAN LOUISE SLAUGHTER (ROCHESTER, NY): Slaughter chairs the Women's Health Task Force of the Congressional Caucus for Women's Issues. In addition to women's health concerns, she is also interested in the elderly, prescription drugs, and malpractice reform.

CONGRESSMAN TED STRICKLAND (PORTSMOUTH, OH): A freshman and a member of the Education and Labor Committee, Strickland has pledged not to accept the health care coverage offered to members until all Americans have coverage.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

To: Hillary Rodham Clinton

From: Chris Jennings

Date: June 14, 1994

Re: Prep for Lehman Brothers Meeting/ Specific to Biotech Issues

Tomorrow you are meeting with institutional investors who are particularly interested in the impact of health reform on the investment community. Attached for your use are two past memos that I have written specifically on the biotech issue. In addition to this information, I would like to provide you with a quick update on where the committees stand relative to the biotech priority issues.

First, the number one philosophical and substantive problem the biotech industry had with the Health Security Act's provisions related to prescription drugs was the establishment of a Breakthrough Drug Review Board. Although this board has no regulatory authority and was established to provide objective pricing information to public and private payers, the industry felt that this provision was just one step removed from direct price controls. This domino theory-like mentality served as the basis of a massive lobbying effort aimed at eliminating this board.

Secondly, the biotech industry has expressed great concerns about the Secretary of Health and Human Services authority to negotiate rebates for new drugs that come on to the market after the enactment of the Health Security Act. (This provision was intended to insure that the Medicare program would not be held hostage to a new drug that was priced at such a level to undermine the fiscal integrity of the Medicare trust fund.) The industry claims that this will put a cold blanket over incentives to invest in new drug research and development.

The industry lobbying campaign against these two provisions has paid dividends as witnessed by recent committee actions relative to this issue. Specifically, the House Energy and Commerce Committee, the House Ways and Means Committee, the Senate Finance Committee and the Senate Labor and Human Resources Committee have all eliminated this provision from their committee marks (the Finance Committee did this effectively by eliminating the prescription drug benefit in its mark last week).

The Ways and Means Committee filled the vacuum by substituting the establishment of the Prescription Drug Review Commission. This commission had previously been established under the Medicare Catastrophic Coverage Act (MCCA) of 1988 and was subsequently eliminated when the MCCA was repealed. It would essentially serve a similar role as the Breakthrough Drug Commission, but limit its studies and recommendations to issues related to the Medicare drug benefit. In addition, the Ways and Means Committee eliminated the Secretary's authority to negotiate rebates for new drugs.

Tomorrow, the Ways and Means Committee is likely to have an amendment offered by Congressman Kopetski, which would replace the Medicare drug rebate provisions with a managed care contractor requirement. This provision is supported by Merck/Medco, SmithKline and Glaxo. It is opposed by the retail druggists and AARP primarily because of fears of selective contracting of pharmacists will lead to access problems. It is expected that the vote on this amendment will be very close, although it is felt that it will probably be defeated.

As you know, with the deletion of the Breakthrough Drug Review Board and the watering down of other provisions of concern to drug manufacturers, the industry is becoming more comfortable with the legislation relating specifically to prescription drugs. However, there is little question in my mind that the industry will oppose final passage of any health care legislation that retains "CBO-scorable" cost containment provisions. If you have any questions, don't hesitate to give me a call.

cc: Melanne Verveer

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

To: Hillary Rodham Clinton

From: Chris Jennings

Date: June 9, 1994

Re: Chairman Kennedy and Senator Jeffords

Attached is a memo that was sent to the President to congratulate Chairman Kennedy and Senator Jeffords for reporting a bill out of the Senate Labor and Human Resources Committee today. It now appears that both calls will be made tomorrow morning, which Chairman Kennedy is pleased about. I am trying to reach Melanne to see what the possibility is of having you call Chairman Kennedy and Senator Jeffords tonight, or getting a note to them tomorrow morning.

Also attached is the Draft Outline for Senate Finance Committee Chairman's Mark. The major changes include the lack of global cost containment, no significant benefit expansion for elderly--prescription drugs, long term care, retiree health protecting, and a modest subsidy schedule for the low income. I'll keep you informed of any new developments.

cc: Melanne Verveer

MEMORANDUM

To: Distribution List

From: Chris Jennings

Date: June 9, 1994

Re: Chairman Moynihan's Mark

Attached is a copy of Chairman Moynihan's Mark which was circulated to members of the Finance Committee. He stated in the Democratic Members meeting earlier today that this is the point where he must start to determine if a proposal like the President's has a chance to gain majority support. If it does not gain majority support, Moynihan believes that an alternative structure will have to be considered.

We are currently evaluating the Chairman's Mark. Please do not comment on this before we develop a common line. I will keep you informed of any new developments.

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Draft Outline for Senate Finance Committee Chairman's Mark

Health Security Act of 1994

I. Insurance Reforms

A. Guaranteed Issue: Require insurers to accept all applicants.

B. Guaranteed Renewal: Prohibit insurers from terminating or failing to renew coverage.

C. Pre-Existing Conditions: Prohibit insurers and employer plans from imposing any exclusions for pre-existing conditions.

D. Modified Community Rating

1. Permit variation for family size, geography, and age (with limits so that the highest age-adjusted premium for a given family size and geographic area would be no more than twice the lowest age-adjusted premium).
2. Require all firms with fewer than 500 employees to purchase community rated insurance and prohibit self-insuring below this level.
3. Treat existing Taft-Hartley and rural cooperative plans with 500 or more employees, and bona fide multiple employer plans (MEWAs) with 1000 or more employees, as large employers; however, prohibit MEWAs from self-insuring and limit each such plan to its present size.

E. Risk adjustment and reinsurance mechanisms: The Secretary of HHS would develop mechanisms for implementation by the States.

F. Antitrust Reform: Repeal health insurance immunity from antitrust suits under the McCarran-Ferguson Act.

II. Coverage: Employer and individual mandate with special rules for small business

A. All employers with more than 20 employees would be required to pay 80 percent of the average premium for a qualified standard health plan; employees would be required to pay 20 percent, or less if the employer elects to pay more. (Non-workers and workers in exempt firms would be responsible for the full cost of the standard plan.)

B. Small employers (20 employees or fewer) would have the option to be excluded from the 80 percent mandate; firms exercising the option would pay a payroll assessment of 1 percent if they have 1-10 employees and 2 percent if they have 11-20 employees.

C. Trigger: The employer mandate would be imposed on small employers

1. at the end of 1998 if 97% of all employees (and their dependents) are not receiving employer-provided health insurance or
2. at the end of the year 2000 if 98.5% of all employees (and their dependents) are not receiving employer-provided health insurance.

III. Subsidies: Payable to both individuals and employers (including firms with 20 or fewer workers that voluntarily provide coverage)

A. Individuals: Family payments for the 20 percent share would be capped at 5 percent of income up to $30,000. Families with incomes below 150 percent of poverty would pay less, based on a sliding scale. Workers in exempt firms who are responsible for paying the full premium would be eligible for income-based subsidies that cap total payments at 5 to 7 percent of income up to $30,000.

B. Employers: In general, employer contributions would be limited to no more than 12 percent of each worker's wage. For firms with 11-75 employees with average wages below $24,000, the cap on contributions would be as low as 5.5 percent. For low wage firms with 10 or fewer employees that elect to pay premiums, premiums would be capped at one-half the otherwise applicable rate, ranging from 2.8 to 6.0 percent of each worker's wage. Eligibility for a subsidy would be based on the individual worker's wage; however, the amount of the subsidy would be based on firm size and the average wage of the firm.

C. Independent contractor and S-corporation shareholder anti-abuse provisions would be included.

IV. Benefits

A. Mental illness services would have parity with services for other medical conditions. The Secretary of HHS would develop standards for the appropriate management of these benefits.

B. The benefit package would have an actuarial value equivalent to the Blue Cross/Blue Shield Standard Option under the FEHB program.

C. Cost-sharing options described in statute would include co-payments, co-insurance, and deductible amounts for services other than clinical preventive services.

D. Plans would be required to offer a standardized set of covered services.

E. Categories of covered services specified in statute would include: hospital services; health professional services; emergency and ambulatory medical and surgical services; clinical preventive services; mental illness and substance abuse services; family planning and services for pregnant women; hospice care; home health care; extended care; ambulance services; outpatient laboratory, radiology and diagnostic services; outpatient prescription drugs and biologicals; outpatient rehabilitation; durable medical equipment, prosthetic and orthotic devices; vision and dental care for children; and investigational treatments.

F. National Health Benefits Board

1. A National Health Benefits Board would be established in the Department of HHS to clarify covered services and cost-sharing; define medical necessity and appropriateness; consult with expert groups for appropriate schedules for covered services; refine policies regarding coverage of investigational treatments; and propose modifications to the benefits package that would go into effect unless voted down by Congress under fast-track procedures.

2. The Board would have 7 members nominated by the President and confirmed by the Senate. They would serve 6 year, overlapping terms.

Draft Outline for Senate Finance Committee Chairman's Mark

V. Health Insurance Purchasing Cooperatives

A. Voluntary Participation: No employer or individual would be required to purchase through a cooperative. Individuals and employers eligible to purchase insurance through a cooperative could elect to purchase insurance at modified community rates through a broker or insurance company.

B. Eligibility: Firms with fewer than 500 employees (and their employees), self-employed individuals, and individuals not connected to the workforce, as well as dependents of those persons, would be eligible to purchase insurance through a cooperative.

C. Competing Cooperatives

1. Cooperatives would be permitted to contract selectively with certified health plans. If a cooperative negotiates a price lower than the community rate, that price becomes the plan's new community rate.
2. Nothing would prevent a cooperative from serving more than one area.
3. If a cooperative were not established in every area by 1996, the State would be required to sponsor or establish a cooperative. In such cases, the State would only be required to establish or sponsor one cooperative that could serve all unserved areas within the State.

D. Federal Employees Health Benefits (FEHB) program: Employers with 2-10 employees who contributed at least 50% of the cost of health insurance would be permitted to enroll their employees in a FEHB program at the same premium price (both employer and employee share) paid by federal employees, plus an administrative fee.

E. Rules for Cooperatives

1. Cooperatives would be required to accept all eligible individuals and employers within the area.
2. Individuals not connected to the workforce would enroll based on residence.
3. Cooperatives could require payroll deductions for employed individuals.
4. If employees ask their employers to make payroll deductions for a cooperative, employers would be required to comply.

F. Choice of Health Plans/Cooperatives

1. Enrollees, not employers, would choose a health plan within the cooperative. Employees of the same employer could choose different health plans.
2. Employers above the community rating threshold would be required to provide employees with a choice of at least three health plans, including a fee-for-service plan.
3. Employees of firms with 20 or fewer employees whose employer contributes at least 50% of the cost of health insurance could enroll in a cooperative chosen by the employer. Employees could purchase insurance at modified community rates elsewhere, but the employer would not be required to make the same contribution to insurance costs.
4. Employees of firms with 20 or fewer employees whose employers do not contribute at least 50% to the cost of health insurance could enroll based on either residence or worksite.

G. Governing Structure
   1. Cooperatives would be non-profit organizations governed by a board of directors elected by members of the cooperative.
   2. Insurers would be prohibited from forming a cooperative, but would be permitted to administer a cooperative.

H. Duties of Cooperatives
   1. Cooperatives would be required to enter into agreements with health plans, employers and individuals; collect and forward premiums to health plans; coordinate with other cooperatives; and provide a complaint process.
   2. Cooperatives would be expressly prohibited from approving or enforcing provider payment rates; performing any activity relating to premium payment rates; and bearing insurance risk.

VI. Cost Containment

A. Managed competition would help contain costs by encouraging consumers to make informed health care purchasing decisions based on the price and quality of a standardized benefit package, by banding consumers into large purchasing pools with lower administrative costs, and by encouraging providers to form more efficiently organized delivery systems.

B. Premium Targets
   1. Targets for changes in per-capita premiums would be set by law at CPI plus or minus an adjustment factor that would take into account increases in real per-capita income, changing demographics and health status indicators, and changes in medical technology and the use of services.
   2. An independent National Health Cost Commission would be established to monitor per-capita premiums. The Commission would have 7 members nominated by the President and confirmed by the Senate. They would serve 6 year, overlapping terms.
   3. If the Commission determines that the targets have been exceeded, it would recommend appropriate actions for consideration by the Congress under fast-track procedures.

C. Federal Deficit Control
   1. OMB would determine annually, through 2004, whether enactment of health care reform had caused an unprojected increase in the deficit.
   2. Any deficit increase would trigger automatic reductions in subsidies unless Congress enacts alternative budget reductions (considered by fast-track) or OMB determines that GDP growth has fallen below 0% for 2 consecutive quarters.

D. Malpractice Reforms
   1. Alternative dispute resolution (ADR) procedures would be established by health plans and malpractice claims could not be brought in court until they had gone through the plan's procedures.
   2. Contingency fees paid to attorneys would be limited to a sliding-scale schedule.
   3. Awards would be reduced by the amount of any payment for the same injury from another source.

4. Payments of over $100,000 could be made on a periodic schedule determined by the court.
5. Demonstration projects would be authorized for limiting liability to health plans rather than physicians.
6. Demonstration projects would be authorized for adopting medical practice guidelines as the standard of care in medical liability actions.
7. Federal law would preempt inconsistent State laws except to the extent such laws imposed greater restrictions on attorney fees or a person's liability, or permitted additional defenses to malpractice actions.
8. Federal law would govern actions in State courts and would not establish a basis for bringing malpractice actions in federal courts.

E. Administrative Simplification and Paperwork Reduction
1. Establish a process for setting health information standards for paper and electronic transactions.
2. Create a public/private health information network to facilitate cost effective administration and practice of health care including automated coordination of benefits and claims routing.
3. Issue health identification cards using the Social Security number.
4. Require all health providers and plans to use standard electronic transactions to conduct business after a grace period for implementation.
5. Fund demonstration projects in telemedicine and electronic medical record systems in primary care.
6. Certify organizations to produce aggregated data for quality assessment, public health, research, and planning.

F. Fraud
1. Federal sanctions would be applied to all health care fraud that affects federal subsidies or other federal outlays.
2. A health care anti-fraud trust fund would be established to fund federal enforcement activities; a portion of the fines and civil penalties collected from such activities would go to the trust fund and the remainder to the Treasury.

VII. Financing (unofficial estimates)

A. Revenue Raisers (over 5 years)
1. Increase tobacco excise tax to $2.00 per pack = $86 billion.
2. Increase handgun ammunition excise tax to 50% (except .22 caliber) = $140 million.
3. Impose a 1% employer payroll assessment on firms of 500 or more employees = $50 billion.
4. Extend HI tax to all State and local employees = $6 billion.
5. Recapture Medicare part B subsidies for individuals with incomes over $90,000 and couples with incomes over $115,000 = $4 billion.
6. Health benefits provided through a flexible spending arrangement would not be excludable = $2 billion.

7. Levy an assessment on health insurance premiums, phased up to 2.5% of premiums by 1999, for academic health centers and medical education and research = $40 billion.
8. Payroll assessments on small firms that do not provide coverage = $10 billion.

B. Revenue Losers (over 5 years)
   1. Provide 80% self-employed health insurance deduction = ($5) billion.

C. Medicare Savings (over 5 years) = $33 billion.

VIII. Medicaid

A. Mainstreaming of AFDC and Non-Cash recipients: Both groups would be treated like other low-income individuals and families for purposes of community rating, enrollment in health plans and subsidies. States would pay a maintenance of effort based on current spending on these groups for services covered in the benefit package.

B. SSI recipients: Those not enrolled in Medicare could enroll in health plans. States could make premium payments based on negotiations with certified health plans.

C. Services not covered in the standard benefit package: Retain current Medicaid mandatory and optional eligibility groups for provision of services not otherwise provided by health plans. States could negotiate with health plans to provide supplemental services.

D. Federal matching payments: Enhance matching payments for Medicaid home and community based long term care services, and change overall federal Medicaid matching formula.

IX. Long-Term Care

A. Retain Medicaid long-term care program with improvements.
B. Establish federal long-term care insurance standards.
C. Include tax credit for cost of personal assistance services for working disabled.
D. Exclude certain accelerated death benefits from taxable income.

X. Medicare

A. Maintain Medicare as a separate program.
B. Individuals could maintain coverage through private health plans when they become eligible for Medicare.
C. Medicare Select would become a permanent option in all States.
D. Medicare risk contracts would be improved.
E. Improvements in hospital payment methodologies would include:
   1. Medicare Dependent Hospital Extension,
   2. EACH/RPCH program improvements and extension to all States,
   3. making Medical Assistance Facilities permanent and available to all States,
   4. extending the rural health transition grant program, and
   5. rebasing PPS exempt hospitals.

XI. Academic Health Centers and Medical Education and Research

A. Academic Health Centers (AHCs) Trust Fund

1. A trust fund for AHCs would be established with contributions from the Medicare indirect medical education (IME) adjustment at current law levels, plus a portion of revenues from a 1.5% assessment on premiums and on premium equivalents for self-insured plans.
2. Payments would be made to all AHCs and teaching hospitals in a manner modeled after the current IME adjustment
3. Payments would total $6.28 billion in 1996, $7.25 billion in 1997, $8.22 billion in 1998, $9.4 billion in 1999, and $10.64 billion in 2000, increased annually thereafter by the change in the national premium targets.

B. Biomedical and Behavioral Research

1. A Health Research Trust Fund would be established to fund expanded biomedical and behavioral research through NIH.
2. The trust fund would be financed with an assessment on premiums and premium equivalents equal to 0.25% in 1996, 0.50% in 1997, 0.75% in 1998, and 1.0% in 1999 and subsequent years. Also, the tax code would be amended to authorize persons filing Federal tax returns to elect to make contributions to the trust fund or to donate tax overpayments to the trust fund.

C. Graduate Medical and Nursing Education Trust Fund

1. A trust fund for graduate medical and nursing education and for transitional costs would be established with contributions from Medicare direct medical education costs at current law levels, plus a portion of revenues from the 1.5% assessment on premiums and premium equivalents.
2. Graduate medical education payments would be made to qualified applicants operating approved residency programs or participating in voluntary consortia.
   a) Payments would be based on historical costs of individual programs.
   b) Payments would total $3.2 billion in 1996, $3.55 billion in 1997, and $5.8 billion in 1998, increased annually thereafter by the change in the national premium targets.
3. Graduate Nursing Education
   a) Payments would be made to qualified applicants operating graduate nurse training programs based on national average costs with a geographic adjustment factor.
   b) Payments would total $200 million in 1996, increased annually by the change in the national premium targets.
4. Medical School Account
   a) Payments would be made to medical schools to assist in meeting additional teaching and research costs associated with the transition to managed competition and expanded ambulatory teaching.
   b) Payments would total $200 million in 1996, $300 million in 1997, $400 million in 1998, $500 million in 1999, and $600 million in 2000, increased annually thereafter by the change in the national premium targets.

Draft Outline for Senate Finance Committee Chairman's Mark

XII. Access Issues in Urban and Rural Areas

A. A trust fund based on a portion of receipts from the tobacco tax (approximately $1.3 billion per year) would be established for infrastructure development. It would provide funding for the development of health plans and capital investment for hospitals and other facilities.

B. Provide tax incentives for practitioners that locate in designated urban and rural areas.

XIII. State Flexibility

A. States would have the option to establish a single-payer system.

B. States would have the option to implement other systems designed to increase coverage, control costs, or fund uncompensated care, but which do not have a significant adverse impact on the administration of plans maintained by multi-State employers.

XIV. Privacy and Confidentiality

A. Protect all health information which could be related to a specific individual, regardless of form or medium.

B. Specify appropriate and necessary uses and reasons for release of protected information.

C. Reduce the amount of information released to the minimum necessary to perform authorized tasks.

D. Other uses and release of protected information, without specific authorization by the individual concerned, would be subject to penalties.

E. Define individual rights to access, annotate, and limit release of protected information.

XV. Health Plan Standards

A. National standards for health plans would be set by the Secretary of HHS for:

1. Capital and solvency standards, including guaranty fund, capital requirements, and risk adjustment/reinsurance;
2. Quality standards for quality improvement and assurance, continuity of care, physician credentialing, utilization management, and medical recordkeeping;
3. Patient protection standards for advance directives, physician incentive plans, participation by physicians in policymaking, anti-discrimination, grievance procedure, confidentiality, marketing, and ethical business conduct; and
4. Access standards for specialized services and essential community providers.

B. Accreditation and Enforcement

1. States would certify that health plans meet the national standards using a State program or private accreditation organization.
2. Federal grants would be available to States to help fund their enforcement programs.

Draft Outline for Senate Finance Committee Chairman's Mark

XVI. Quality and Consumer Information

A. Provide Federal funding to support research on appropriateness and outcomes of medical treatments.

B. The Secretary of HHS would provide grants to quality improvement foundations to disseminate research findings to improve provider practice patterns.

C. States would be required to provide health care consumers with comparative value information on health plans. Federal grants would be available to States to help fund their programs.

D. States would be required to establish a standardized appeals process for benefit denial, reduction or termination.

E. Modify Federal remedies for benefit denials, reductions or terminations.

XVII. Tax Treatment of Health Care Organizations

A. Strengthen current law "community benefit" standard for tax exemption for non-profit hospitals.

B. Repeal cap on tax-exempt bonds for section 501(c)(3) organizations.

C. Repeal special deduction for Blue Cross/Blue Shield organizations.

D. Limit tax exemption for HMOs to "staff" or "dedicated group" model.

E. Impose certain penalty excise taxes ("intermediate sanctions") on tax-exempt health care organizations for transactions involving private inurement.