

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Chris Jennings, Steve Edelstein to Hillary Clinton Re: Meeting with Senators Leahy and Pryor (2 pages)	6/14/93	P5
002. memo	Chris Jennings to Hillary Clinton Re: Conversation with Senator Pryor (1 page)	3/7/93	P5

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 8990

FOLDER TITLE:

[HSA] - Senator Pryor [1]

gf143

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]
- 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]

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Chris Jennings, Steve Edelstein to Hillary Clinton Re: Meeting with Senators Leahy and Pryor (2 pages)	6/14/93	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**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the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: 8990

FOLDER TITLE:

[HSA] - Senator Pryor [1]

gf143

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 advice 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]
- 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]



STATE OF ARKANSAS
OFFICE OF THE GOVERNOR
State Capitol
Little Rock 72201

Bill Clinton
Governor

September 4, 1992

The Honorable David H. Pryor
United States Senate
267 Senate Russell Office Building
Washington, DC 20510-0402

Dear David:

I appreciate the time and effort you and others have spent in developing the legislation introduced by you and Senator Leahy which outlines a process for assisting states to plan and implement state-based comprehensive health care reform efforts.

The "one-stop-shop" concept for waiver approval outlined in your bill will help states to truly perform the laboratory function in this area of health care reform as we seek to design an overall system of health care for all our nation's citizens. I appreciate the recognition the bill gives as well as your personal statements in recent weeks that the first choice for national health care reform is for the federal government to act, but in the interim this bill gives states the needed process for moving ahead.

I support your efforts in this bill toward moving us to a national solution and look forward to working with you further on this critical area of health care reform.

Sincerely,

A handwritten signature in black ink that reads "Bill".

Bill Clinton

Business and Health | Milt Freudenheim

States Seek Aid For the Uninsured

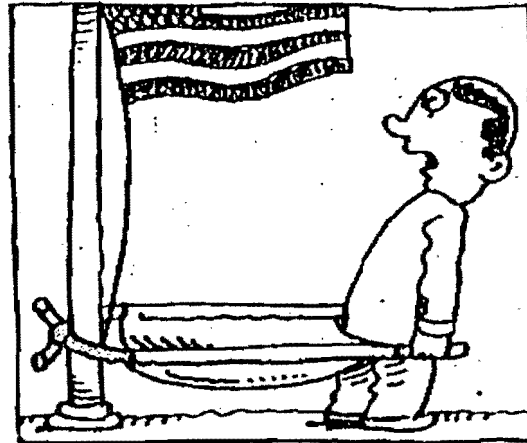
A DELEGATION of 14 governors went to the White House last week seeking help for efforts by states to bring health care to millions of uninsured Americans. Despairing of obtaining national solutions on health care in the election year political gridlock, the governors — 9 Republicans and 5 Democrats — are trying to push ahead on their own.

The states need Bush Administration support to get Congress to waive provisions of the Federal law that exempts two-thirds of all businesses from state taxes linked to health insurance. Self-insured companies invoke the Employee Retirement Income Security Act, called Erisa, to escape taxes on insurance premiums. They can also refuse to contribute to state pools to insure people viewed as poor risks.

But the Administration, heeding the concerns of business, reacted coolly to the governors. Although most company executives are upset about rapidly rising health costs, many self-insured companies fear that their expenses could grow even more if they lost the Erisa shield and had to comply with health insurance laws that vary across the country. And the business lobbyists contend that if Congress waived even one provision, the floodgates would open to demolishing the entire Erisa statute, which protects pensions.

The states' concerns were heightened when a Federal judge in Newark, citing the Erisa law, recently invalidated the New Jersey surcharge on hospital bills. The surcharge subsidized hospital costs of uninsured patients.

Senator Dave Durenberger, Republican of Minnesota, said the Newark ruling, which New Jersey is appealing, threatened to sabotage Minnesota's



Stuart Goldenberg

plans for new taxes on hospitals and doctors to help provide health coverage for the uninsured. The recent New York increases in hospital charges to commercial health insurers could also be challenged, as could financing for expanded Medicaid programs in many states.

Florida, Hawaii, Oregon and Vermont, like Minnesota, have passed sweeping health-care laws that could be hobbled by the Erisa provisions, Alicia Petrino, a policy analyst with the National Governors Association, said. She said the governors of Colorado, Connecticut and Kentucky were also concerned because they planned wide-ranging health-care legislation this year.

The 14 governors met with Samuel K. Skinner, the White House chief of staff, Roger D. Porter and Clayton K. Yeutter, domestic policy advisers, and Gail R. Wilensky, the senior health-care adviser.

A number of states are also seeking exemptions from Medicaid and Medicare rules. Oregon, for example, has been waiting for years for a Medicaid waiver to let the state set priorities in covering certain types of patients and illnesses. The Administration is expected to announce a decision on the Oregon request this summer.

The governors association is working with Mr. Durenberger and with two Democrats, Senators David H. Pryor of Arkansas and Patrick J. Leahy of Vermont, on bills that would allow states to apply for waivers from certain Erisa restrictions for programs to increase access to health care.

The Administration does support measures to speed decisions on requests for Medicaid and Medicare waivers, which sometimes languish in the pipeline for three or four years. And it also supports a proposal, sponsored by Senator Daniel Patrick Moynihan, Democrat of New York, and Senator Durenberger, to let states place Medicaid patients in H.M.O.'s or physician networks without special Federal permission.

But Administration officials said they opposed granting Erisa waivers, unless states agreed to reduce taxes on insurance premiums; eliminate laws that mandate coverage for hundreds of specific health-care services; and put people into large purchasing groups, which could force hospitals and doctors to reduce their charges.

The Pryor-Leahy bill would deal with some of these concerns by exempting "multistate" businesses in states where they have dozens of employees — if they offered a package of health benefits equivalent to \$2,500 a year for each family covered and \$1,250 for single employees. Christopher Jennings, a Pryor legislative aide, said: "The states could develop a minimum package of benefits. But all the 'good guy' multistate employers would not have to deal with it."

The Durenberger waiver proposal would permit the Secretary of Labor to grant "limited exemptions under Erisa." Under this approach, self-insured employers would pay state insurance taxes and other fees, but they would still be exempted from mandated state benefits.

Dr. Wilensky said the Administration was serious about trying to deal with at least some of the governors' concerns. "We really like the state innovations and flexibility," she said. But White House officials made it clear that the Administration was not ready for Erisa law waivers.

S. 3180, THE STATE CARE ACT OF 1992
SUMMARY OF MAJOR PROVISIONS

Establishment of State Care Demonstration Projects

- * The bill establishes a federal Commission to consider State applications for 5-year waivers of specified provisions of Medicare, Medicaid and ERISA law to allow States to implement state-wide, comprehensive health care reform initiatives meeting certain criteria.
- * The Commission provides for timely approval of demonstration projects, oversees implementation, and has the authority to revoke waivers and terminate demonstrations for good cause.
- * Demonstrations are limited to 10 states.
- * The Commission is authorized to provide implementation grants of up to \$2 million to each approved State.
- * The Commission consists of the Secretary of Health and Human Services, the Secretary of Labor, and 11 members appointed by the President and confirmed by the Senate.

Requirements of State Plans

In order to obtain Medicare, Medicaid and ERISA waivers, a state must:

- * demonstrate that by the end of the five-year period, the percentage of the insured has increased to at least 95% of the population OR the insured population has increased by 10 percentage points. (The 10 percentage point increase clause is designed to be fairer to states with higher numbers of uninsured.) With either goal, coverage for children must increase at an equal rate.
- * demonstrate that health care inflation within the State does not exceed the average annual percentage increase in the gross domestic product plus 3.7% for 1994, 2.7% for 1995, 1.7% for 1996, .7% for 1997, and for each year thereafter, 0 percentage points.
- * develop a common benefit package which is at least equal to one of two benefit packages contained in Senator Bentsen's small group insurance reform bill.
- * demonstrate that the project will be federal cost-neutral over the five-year period.

Waiver Authority

States that meet the above criteria would be eligible for the following waivers:

Medicaid. Waiver authority allows states to include Medicaid beneficiaries and Medicaid payment systems in plans to restructure health care finance and service delivery systems.

Protections for Medicaid Beneficiaries. States must provide mandatory Medicaid services to all groups current law requires States to serve. States must maintain safeguards currently specified in the Medicaid program (including procedures sufficient to ensure the high quality and availability of care) to protect the health and welfare of Medicaid recipients.

Medicare. Waiver authority is very limited with respect to Medicare. The bill gives states the ability to include Medicare in all-payor negotiated rate systems for hospitals. Benefits to Medicare beneficiaries cannot be diminished.

ERISA. Waiver authority has been crafted narrowly to recognize the concerns of business and labor.

- * Allows states to collect assessments from ERISA plans. States are prohibited from singling-out ERISA plans for assessment. The provision enables states to broaden their current funding base to support health-related initiatives, such as risk pools for the uninsured.

- * Allows states to establish a standard health benefit package for employers in the state. However, employers with self-funded health benefit plans could deviate from the standard benefit package if the employer offers a health benefit plan with benefits equal to an adjusted \$1,250 per individual and \$2,500 per family. The provision enables states to establish a minimum set of health benefits for its residents.

- * Allows states to develop common administrative procedures. The provision enables states to require both health insurers and ERISA plans to use the same procedures and processes in the areas of claims processing and quality assurance.

- * Allows states to establish a negotiated system of hospital or other provider reimbursement rates to be used by both health insurers and ERISA plans.



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 102^d CONGRESS, SECOND SESSION

Vol. 138

WASHINGTON, WEDNESDAY, AUGUST 12, 1992

No. 119

Senate

Mr. PRYOR. Mr. President, today I am pleased to join my friend and esteemed colleague from Vermont, Senator LEAHY, in introducing legislation to provide needed flexibility to States which are committed to comprehensively reforming their health care systems. We are honored to be joined in this effort by the majority leader, Senator ROCKEFELLER, Senator RIEGLE, Senator CHAFEE, Senator DANFORTH, Senator KERREY, Senator WELLSTONE, Senator ADAMS, Senator AKAKA, Senator BINGAMAN, Senator GRAHAM, Senator INOUE, and Senator JEFFORDS.

Mr. President, everyone of us in this body is struggling to find a workable solution to the overwhelming health care challenges that confront our Nation. No one is satisfied with, or accepting of, the status quo.

There is no question that we must find a way to achieve nation-wide, comprehensive reform of our health care system. Following Senator MITCHELL's lead, I remain committed to developing and passing a workable and comprehensive national health care reform initiative at the earliest possible moment.

Unfortunately, to date, we have not been able to achieve consensus on a comprehensive health care reform package that the President will sign into law. It is fascinating to note, however, that there is a common thread that runs throughout virtually every significant health care reform proposal before us. Despite the differing and numerous alternative approaches, every proposal provides for a significant amount of State flexibility and responsibility. This is the case with the Mitchell/Kennedy/Rockefeller/Riegle bill; it is the case with Senator KERREY's bill; it is the case with Senator WELLSTONE's bill; and it is the case with the Republican Health Care Task Force bill, whose primary author is the chairman of the task force, Senator CHAFEE. I am pleased to say that every one of the primary sponsors of these bills is joining with Senator LEAHY and me in introducing our legislation today.

Why is it that the major health care

initiatives emerging from both sides of the aisle all assume a significant State role? I believe the answer is twofold. First, all of us want to ensure that our health care system is more accountable and responsive to local desires and needs. Second, and probably at least as important, it is because the States and their Governors have been the ones who have succeeded in progressing from talking about the problem to actually acting to solve it. In fact, more than 15 States are working on massive system-wide restructuring. At least four States have actually passed legislation that begins to implement massive overhauls of their health care systems.

Unlike the Federal Government, these States have sought and, to the extent possible, achieved consensus within their own borders. These achievements were not accomplished without controversy. They were also not achieved without political risk, leadership, and courage. Most importantly, though, they were achieved.

Unfortunately, according to a June 1992 General Accounting Office report, many if not all of the State health care reform initiatives cannot be successfully implemented without the removal of certain Federal statutory barriers. In effect, therefore, our Federal inaction is not the only barrier to providing affordable health care to our citizens; current Federal law actually provides a significant roadblock as well.

The purpose of the legislation we are introducing today is to remove those roadblocks for States that are committed to overhauling their health care delivery systems. Through a new Federal commission, our bill sets up a streamlined, "one-stop-shop" waiver approval process that provides narrowly crafted, but important, waivers from Medicare, Medicaid, and the Employee Retirement Income Security Act [ERISA]. These waivers are absolutely necessary to the success of state-based comprehensive health care reform efforts.

To be eligible to receive the waivers, States must submit a plan to the Commission that is comprehensive, and meets strong access, cost-containment,

and quality assurance criteria. States also must continue to provide Medicare services to the Medicare population and federally-mandated Medicaid services to Medicaid recipients.

Mr. President, we have worked for months with representatives of consumers, States, small and large businesses, and many others in developing this legislation. While our bill is not flawless, we believe it moves a long way toward striking a fair and reasonable balance between interested parties. Having said this, as we have been in the months prior to today's introduction, we remain open to constructive suggestions. In fact, we sincerely hope that our introduction of this bill will be taken as an open invitation for comments and suggested improvements.

To further the debate on this issue, I am particularly pleased that the chairman of the Finance Committee, Senator BENTSEN, is planning on holding a hearing on State-based health care reform initiatives in September. I would like to take this opportunity to thank Senator BENTSEN and his staff for the encouragement and technical support they have given me and my staff throughout the development of this bill.

Mr. President, there is no question that there will be those who will oppose this effort. They will cite a number of reasons, but I fear the real reason is that their second choice for health care reform is to do nothing. I do not believe we can accept or condone this position.

The first choice for restructuring our health care system, including the first choice of almost every Governor, is that the Federal Government meet the need for national comprehensive reform. However, if a divided Government ensures that we cannot gain consensus on the national reforms we so desperately need, we simply cannot continue to hold the States hostage to our gridlock.

Mr. President, it is essential to remember, though, that this bill can, in some respects, work out as being the first choice of practically everyone. First, it can work to fill in some of the details of the previously introduced nationally, comprehensive initiatives. Second, waivers are not granted in any case unless the State-based effort is comprehensive in nature. Finally, while holding the States accountable for comprehensive, affordable, quality, accessible health care, it does not direct the States as to how they must achieve these criteria. In other words, advocates of single-payer approaches, advocates of employer-based approaches, and advocates of everything

around and between might well see their approach embodied in one of the States' comprehensive efforts.

Mr. President, regardless of the approach, I cannot and I will not continue to look into the eyes of the Governors committed to comprehensive health care reforms and say, "Sorry, because we don't have a national solution, there can be no solution." If an individual State can come up with a program that assures access to quality, affordable health care to its citizens, who are we to stand in the way?

I have long felt that we, as representatives of the Federal Government, are all-too-frequently negative and overly paternalistic to State-born reform initiatives on almost any issue. Sometimes it seems that if the idea isn't ours, we always find a way to show that it somehow isn't good enough. Well, when it comes to health care reform, at least to date, we have not come up with anything better than what many of the States are offering. To the contrary, we have as yet to produce anything approximating comprehensive reform.

There is broad-based and bipartisan support for this important initiative. I am particularly pleased to report that, despite the fact that the Governor--like everyone else--were forced to compromise on many issues of importance to them, the National Governors' Association [NGA] has indicated its support of this bill. I would like to thank the NGA, as well as the Democratic Governors' Association, for their thoughtful and constructive suggestions.

Many other organizations, in particular, Families USA, have also been extremely helpful. I look forward to working with all interested parties to assure we have the strongest package possible.

I am also extremely pleased to note that Congressman WYDEN has already indicated his desire for introducing the companion legislation on the House side. Although not cosponsoring this legislation today, I would also like to thank Senator DURENBERGER for his interest and support of many of the concepts outlined in this legislation. Senator LEAHY and I are very encouraged by these developments. I urge all of our colleagues to join Senator LEAHY, Congressman WYDEN, and me in our efforts to help the State help their, and our, constituents.

Finally, Mr. President, I would like to take one moment to say what an honor and a privilege it has been to work with Senator LEAHY and his fine staff on this bill. Today's introduction of our bill represents a vindication for his efforts and his commitment to change and restructure our health care system.



STATE OF ARKANSAS
OFFICE OF THE GOVERNOR
State Capitol
Little Rock 72201

Bill Clinton
Governor

September 4, 1992

The Honorable David H. Pryor
United States Senate
267 Senate Russell Office Building
Washington, DC 20510-0402

Dear David:

I appreciate the time and effort you and others have spent in developing the legislation introduced by you and Senator Leahy which outlines a process for assisting states to plan and implement state-based comprehensive health care reform efforts.

The "one-stop-shop" concept for waiver approval outlined in your bill will help states to truly perform the laboratory function in this area of health care reform as we seek to design an overall system of health care for all our nation's citizens. I appreciate the recognition the bill gives as well as your personal statements in recent weeks that the first choice for national health care reform is for the federal government to act, but in the interim this bill gives states the needed process for moving ahead.

I support your efforts in this bill toward moving us to a national solution and look forward to working with you further on this critical area of health care reform.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill Clinton".

Bill Clinton

S. 3180, THE STATE CARE ACT OF 1992
SUMMARY OF MAJOR PROVISIONS

Establishment of State Care Demonstration Projects

- * The bill establishes a federal Commission to consider State applications for 5-year waivers of specified provisions of Medicare, Medicaid and ERISA law to allow States to implement state-wide, comprehensive health care reform initiatives meeting certain criteria.
- * The Commission provides for timely approval of demonstration projects, oversees implementation, and has the authority to revoke waivers and terminate demonstrations for good cause.
- * Demonstrations are limited to 10 states.
- * The Commission is authorized to provide implementation grants of up to \$2 million to each approved State.
- * The Commission consists of the Secretary of Health and Human Services, the Secretary of Labor, and 11 members appointed by the President and confirmed by the Senate.

Requirements of State Plans

In order to obtain Medicare, Medicaid and ERISA waivers, a state must:

- * demonstrate that by the end of the five-year period, the percentage of the insured has increased to at least 95% of the population OR the insured population has increased by 10 percentage points. (The 10 percentage point increase clause is designed to be fairer to states with higher numbers of uninsured.) With either goal, coverage for children must increase at an equal rate.
- * demonstrate that health care inflation within the State does not exceed the average annual percentage increase in the gross domestic product plus 3.7% for 1994, 2.7% for 1995, 1.7% for 1996, .7% for 1997, and for each year thereafter, 0 percentage points.
- * develop a common benefit package which is at least equal to one of two benefit packages contained in Senator Bentsen's small group insurance reform bill.
- * demonstrate that the project will be federal cost-neutral over the five-year period.

Waiver Authority

States that meet the above criteria would be eligible for the following waivers:

Medicaid. Waiver authority allows states to include Medicaid beneficiaries and Medicaid payment systems in plans to restructure health care finance and service delivery systems.

Protections for Medicaid Beneficiaries. States must provide mandatory Medicaid services to all groups current law requires States to serve. States must maintain safeguards currently specified in the Medicaid program (including procedures sufficient to ensure the high quality and availability of care) to protect the health and welfare of Medicaid recipients.

Medicare. Waiver authority is very limited with respect to Medicare. The bill gives states the ability to include Medicare in all-payor negotiated rate systems for hospitals. Benefits to Medicare beneficiaries cannot be diminished.

ERISA. Waiver authority has been crafted narrowly to recognize the concerns of business and labor.

* Allows states to collect assessments from ERISA plans. States are prohibited from singling-out ERISA plans for assessment. The provision enables states to broaden their current funding base to support health-related initiatives, such as risk pools for the uninsured.

* Allows states to establish a standard health benefit package for employers in the state. However, employers with self-funded health benefit plans could deviate from the standard benefit package if the employer offers a health benefit plan with benefits equal to an adjusted \$1,250 per individual and \$2,500 per family. The provision enables states to establish a minimum set of health benefits for its residents.

* Allows states to develop common administrative procedures. The provision enables states to require both health insurers and ERISA plans to use the same procedures and processes in the areas of claims processing and quality assurance.

* Allows states to establish a negotiated system of hospital or other provider reimbursement rates to be used by both health insurers and ERISA plans.



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 102^d CONGRESS, SECOND SESSION

Vol. 138

WASHINGTON, WEDNESDAY, AUGUST 12, 1992

No. 119

Senate

Mr. PRYOR. Mr. President, today I am pleased to join my friend and esteemed colleague from Vermont, Senator LEAHY, in introducing legislation to provide needed flexibility to States which are committed to comprehensively reforming their health care systems. We are honored to be joined in this effort by the majority leader, Senator ROCKEFELLER, Senator RIEGLE, Senator CHAFFEE, Senator DANFORTH, Senator KERREY, Senator WELLSTONE, Senator ADAMS, Senator AKAKA, Senator BINGAMAN, Senator GRAHAM, Senator INOUE, and Senator JEFFORDS.

Mr. President, everyone of us in this body is struggling to find a workable solution to the overwhelming health care challenges that confront our Nation.

No one is satisfied with, or accepting of, the status quo.

There is no question that we must find a way to achieve nation-wide, comprehensive reform of our health care system. Following Senator MITCHELL's lead, I remain committed to developing and passing a workable and comprehensive national health care reform initiative at the earliest possible moment.

Unfortunately, to date, we have not been able to achieve consensus on a comprehensive health care reform package that the President will sign into law. It is fascinating to note, however, that there is a common thread that runs throughout virtually every significant health care reform proposal before us. Despite the differing and numerous alternative approaches every proposal provides for a significant amount of State flexibility and responsibility. This is the case with the Mitchell/Kennedy/Rockefeller/Riegle bill; it is the case with Senator KERREY's bill; it is the case with Senator WELLSTONE's bill; and it is the case with the Republican Health Care Task Force bill, whose primary author is the chairman of the task force, Senator CHAFFEE. I am pleased to say that every one of the primary sponsors of these bills is joining with Senator LEAHY and me in introducing our legislation today.

Why is it that the major health care

initiatives emerging from both sides of the aisle all assure a significant State role? I believe the answer is twofold. First, all of us want to ensure that our health care system is more accountable and responsive to local desires and needs. Second, and probably at least as important, it is because the States and their Governors have been the ones who have succeeded in progressing from talking about the problem to actually acting to solve it. In fact, more than 15 States are working on massive system-wide restructuring. At least four States have actually passed legislation that begins to implement massive overhauls of their health care systems.

Unlike the Federal Government, these States have sought and, to the extent possible, achieved consensus within their own borders. These achievements were not accomplished without controversy. They were also not achieved without political risk, leadership, and courage. Most importantly, though, they were achieved.

Unfortunately, according to a June 1992 General Accounting Office report, many if not all of the State health care reform initiatives cannot be successfully implemented without the removal of certain Federal statutory barriers. In effect, therefore, our Federal inaction is not the only barrier to providing affordable health care to our citizens; current Federal law actually provides a significant roadblock as well.

The purpose of the legislation we are introducing today is to remove those

roadblocks for States that are committed to overhauling their health care delivery systems. Through a new Federal commission, our bill sets up a streamlined, "one-stop-shop" waiver approval process that provides narrowly crafted, but important, waivers from Medicare, Medicaid, and the Employee Retirement Income Security Act [ERISA]. These waivers are absolutely necessary to the success of state-based comprehensive health care reform efforts.

To be eligible to receive the waivers, States must submit a plan to the Commission that is comprehensive, and meets strong access, cost-containment,

and quality assurance criteria. States also must continue to provide Medicare services to the Medicare population and federally-mandated Medicaid services to Medicaid recipients.

Mr. President, we have worked for months with representatives of consumers, States, small and large businesses, and many others in developing this legislation. While our bill is not flawless, we believe it moves a long way toward striking a fair and reasonable balance between interested parties. Having said this, as we have been in the months prior to today's introduction, we remain open to constructive suggestions. In fact, we sincerely hope that our introduction of this bill will be taken as an open invitation for comments and suggested improvements.

To further the debate on this issue, I am particularly pleased that the chairman of the Finance Committee, Senator BENTSEN, is planning on holding a hearing on State-based health care reform initiatives in September. I would like to take this opportunity to thank Senator BENTSEN and his staff for the encouragement and technical support they have given me and my staff throughout the development of this bill.

Mr. President, there is no question that there will be those who will oppose this effort. They will cite a number of reasons, but I fear the real reason is that their second choice for health care reform is to do nothing. I do not believe we can accept or condone this position.

The first choice for restructuring our health care system, including the first choice of almost every Governor, is that the Federal Government meet the need for national comprehensive reform. However, if a divided Government ensures that we cannot gain consensus on the national reforms we so desperately need, we simply cannot continue to hold the States hostage to our gridlock.

Mr. President, it is essential to remember, though, that this bill can, in some respects, work out as being the first choice of practically everyone. First, it can work to fill in some of the details of the previously introduced nationally, comprehensive initiatives. Second, waivers are not granted in any case unless the State-based effort is comprehensive in nature. Finally, while holding the States accountable

for comprehensive, affordable, quality, accessible health care, it does not direct the States as to how they must achieve these criteria. In other words, advocates of single-payer approaches, advocates of employer-based approaches, and advocates of everything

around and between might well see their approach embodied in one of the States' comprehensive efforts.

Mr. President, regardless of the approach, I cannot and I will not continue to look into the eyes of the Governors committed to comprehensive health care reforms and say, "Sorry, because we don't have a national solution, there can be no solution." If an individual State can come up with a program that assures access to quality, affordable health care to its citizens, who are we to stand in the way?

I have long felt that we, as representatives of the Federal Government, are all-too-frequently negative and overly paternalistic to State-born reform initiatives on almost any issue. Sometimes it seems that if the idea isn't ours, we always find a way to show that it somehow isn't good enough. Well, when it comes to health care reform, at least to date, we have not come up with anything better than what many of the States are offering. To the contrary, we have as yet to produce anything approximating comprehensive reform.

There is broad-based and bipartisan support for this important initiative. I am particularly pleased to report that, despite the fact that the Governor—like everyone else—were forced to compromise on many issues of importance to them, the National Governors' Association [NGA] has indicated its support of this bill. I would like to thank the NGA, as well as the Democratic Governors' Association, for their thoughtful and constructive suggestions.

Many other organizations, in particular, Families USA, have also been extremely helpful. I look forward to working with all interested parties to assure we have the strongest package possible.

I am also extremely pleased to note that Congressman WYDEN has already indicated his desire for introducing the companion legislation on the House side. Although not cosponsoring this legislation today, I would also like to thank Senator DUREMBERGER for his interest and support of many of the concepts outlined in this legislation. Senator LEAHY and I are very encouraged by these developments. I urge all of our colleague to join Senator LEAHY, Congressman WYDEN, and me in our efforts to help the State help their, and our, constituents.

Finally, Mr. President, I would like to take one moment to say what an honor and a privilege it has been to work with Senator LEAHY and his fine staff on this bill. Today's introduction of our bill represents a vindication for his efforts and his commitment to change and restructure our health care system.

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. memo	Chris Jennings to Hillary Clinton Re: Conversation with Senator Pryor (1 page)	3/7/93	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: 8990

FOLDER TITLE:

[HSA] - Senator Pryor [1]

gf143

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]
- 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]

DAVID PRYOR, ARKANSAS, CHAIRMAN

JOHN GLENN, OHIO
 BILL BRADLEY, NEW JERSEY
 J. BENNETT JOHNSTON, LOUISIANA
 JOHN B. BREAUX, LOUISIANA
 RICHARD SHELBY, ALABAMA
 HARRY REID, NEVADA
 BOB GRAMM, FLORIDA
 HERB KOHL, WISCONSIN
 RUSSELL D. FEINGOLD, WISCONSIN
 ROBERT KRUEGER, TEXAS

WILLIAM S. COHEN, MAINE
 LARRY PRESSLER, SOUTH DAKOTA
 CHARLES E. GRASSLEY, IOWA
 ALAN K. SIMPSON, WYOMING
 JAMES M. JEFFORDS, VERMONT
 JOHN MCCAIN, ARIZONA
 DAVE NITZBERGER, MINNESOTA
 LARRY CRAIG, IDAHO
 CONRAD BURNS, MONTANA
 ARLEN SPECTER, PENNSYLVANIA

PORTIA PORTER MITTELMAN, STAFF DIRECTOR
 CHRISTOPHER C. JENNINGS, DEPUTY STAFF DIRECTOR
 MARY BENNY GERWIN, MINORITY STAFF DIRECTOR/CHIEF COUNSEL

United States Senate

SPECIAL COMMITTEE ON AGING
 WASHINGTON, DC 20510-6400

DETERMINED TO BE IN
 ADMINISTRATIVE MARKING
 INITIALS: ME DATE: 9.5.05

PERSONAL AND CONFIDENTIAL

July 12, 1993

Mrs. Hillary Rodham Clinton
 Chairperson, President's Task Force
 on Health Care Reform
 The White House
 1600 Pennsylvania Ave
 Washington, D.C. 20500

Dear Hillary:

As Chairman of the Senate Special Committee on Aging, you know of my long-standing interest in issues relating to prescription drug access and cost containment. Therefore, the provisions in the Administration's health care reform package relating to these issues are of particular interest to me. The purpose of this letter is to encourage you to consider including the following prescription drug-related provisions in the final health care reform plan that is currently under development:

o Medicare Prescription Drug Benefit: Older Americans are in dire need of better prescription drug coverage. Therefore, I urge that a Medicare outpatient prescription drug benefit be included in the final package. Obviously, it would be optimal if the Medicare drug benefit could cover as many older Americans as possible by having a relatively low deductible and prescription copayment. For example, I would recommend an annual deductible in the range of \$250, with 80 percent of the cost of each prescription covered by the program thereafter. However, I recognize that the potential cost of the benefit to the federal government and to the Medicare population may make it difficult to provide this generous a benefit.

Regardless of the deductible, I strongly urge that the Medicare drug benefit contain specific mechanisms to contain the costs of pharmaceuticals for the program. We simply cannot repeat the mistakes made with the Medicare Catastrophic Coverage Act of 1988, which included a Medicare drug benefit without specific pharmaceutical cost containment mechanisms. As a result, the costs of the program skyrocketed very quickly. I recommend that Medicare cost containment strategies include a Medicaid-like drug manufacturer rebate program, negotiations with manufacturers over drug prices, or both.

Mrs. Hillary Rodham Clinton
July 12, 1993
Page 2

o Interim Pharmaceutical Cost Containment Mechanisms: I know that you and the President are considering mechanisms to contain health care costs during the period of transition to the new health care system. Several drug manufacturers have publicly stated that they will "voluntarily" maintain their "weighted average" annual price increases on their products to the rate of inflation.

If the Administration decides to use this interim approach to contain drug costs, I strongly urge that it be combined with an approach that specifically limits price increase on drug products distributed to the retail class of trade. This can be achieved either by limiting the weighted average price increase of each retail-distributed product's dosage form and strength to the increase in inflation or by limiting the increase in each individual retail product's package size to the increase in inflation.

Without this additional price increase limit, I am concerned that manufacturers' retail prescription drug prices will continue to increase faster than inflation. If this occurs, Americans may see little relief from the excessive price increases of the past twelve years.

o Mechanisms to Contain New Drug Costs: The final package should contain some mechanism to contain the cost of new pharmaceuticals that will be marketed. This is especially important in the case where the new pharmaceutical has no therapeutic alternate on the market. I strongly urge the establishment of a National Commission or Board with the primary responsibility of providing information to the health care system about whether the price of a new drug is "reasonable."

Without such a review, manufacturers will likely attempt to offset cost containment pressures on "existing" drugs by increasing prices more rapidly on "new" drugs. As a result of this likely behavior, drug costs will not be contained, they will simply be shifted to new drug prices, which I believe is undesirable.

By establishing a Commission that "reviews" rather than "sets" or "controls" new drug prices, drug manufacturers would still have significant pricing flexibility. However, they would have to become more sensitive to the prices at which they introduce new drugs to the United States. This approach is a middle ground between direct federal regulation of the prices of new pharmaceuticals, and doing nothing at all. This Board could also provide valuable information to all purchasers about the prices of pharmaceuticals in other industrialized nations.

Mrs. Hillary Rodham Clinton
July 12, 1993
Page 3

Hillary, I know that you and the President are doing your very best to balance the interests of various parties in constructing this health care reform plan. Your leadership on this issue is to be commended. I want to reaffirm to you my commitment to developing a responsible health care reform package, and would appreciate your serious consideration of these ideas on pharmaceuticals. I would very much look forward to discussing these and other ideas with you and the President relating to pharmaceutical access and cost containment. As always, I wish you the best of luck in this very worthy and necessary endeavor.

Sincerely,



David Pryor
Chairman

cc: Ira Magaziner, Senior Domestic
Policy Advisor

United States Senate

SPECIAL COMMITTEE ON AGING

5.7

Chris -

I'll always be grateful for
your help setting up breakfast -
what a hit! I've enclosed

This private note from DP to Reid -
with Reid's response on the bottom - FYI.
(They passed it at the hearing).

The breakfast was timely for us -

DP & Cohen go before the Joint Comtee
Tuesday 5/11
to justify the Aging Comtee. We'll

work this breakfast into the testimony -

believe me! The interchange w/ Sen

Reid on the Comtee issue was helpful, as
well. Hope the OTA summary helps!

Gratman

DAVID PRYOR
CHAIRMAN

United States Senate
SPECIAL COMMITTEE ON AGING

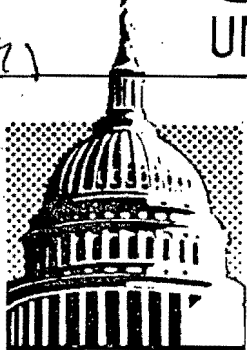
Harry

I thought the
Breakfast with
Hillan, was
exceptional!

I hope the Non-Partisan
flavor can be sustained
for a few weeks -

I think it was a
breakthrough - Cohen & Simpson
were very good.

Rail's
response



completely (C)
AGING NEWS

SENATOR DAVID PRYOR, CHAIRMAN

FOR IMMEDIATE RELEASE
Thursday, September 23, 1993

Ann Trinca/
Andrea Boldon
202/224-5364

PRESIDENT'S HEALTH CARE REFORM PLAN AND PRESCRIPTION DRUGS:
IMPROVING ACCESS AND A START ON CONTAINING COSTS

WASHINGTON, D.C. -- The prescription drug reforms included in the President's health reform plan will make medicines more accessible to millions of Americans. However, the plan's approaches to slow the rate of prescription drug cost inflation may not go far enough, according to Chairman David Pryor (D-AR).

"The President's plan goes a long way toward making prescription medications available for all Americans, including millions of older Americans. All health plans, including Medicare, will cover prescription drugs as a standard medical benefit. This is good news for the almost 25 percent of Americans under age 65, and the 64 percent of older Americans, who have no prescription drug coverage," Pryor said.

Pryor called the plan's cost containment approaches a "first step in the right direction," but indicated that they "may not go far enough in bringing down drug prices."

"The President's plan appears to rely primarily on competition in the marketplace, and the 'good faith' of the manufacturers to contain drug costs. The proposals in the President's package, in my mind, represent the mildest forms of pharmaceutical cost restraint that could have been proposed," Pryor said.

The pricing of new, breakthrough drug products remains one of Pryor's concerns. "The President's plan appears to suggest an approach that gives the manufacturers the benefit of the doubt in pricing their new products. While I think that the establishment of a 'Breakthrough Drug Committee' is a step in the right direction, it appears that the Committee's enforcement authority is more like 'gums' rather than 'teeth.' That concerns me and should concern all health care providers, institutions, advocates and consumers," Pryor said.

Unless meaningful cost containment approaches are adopted, Pryor said that the President's plan could be the drug industry's "ultimate panacea -- universal coverage for prescription drugs without any meaningful cost containment."

"In spite of all the talk by the drug industry that the President's plan casts dark shadows on the drug industry's future, the fact is that the combined effect of increased sales
-- more --

John Glenn, Ohio
Bill Bradley, New Jersey
J. Bennett Johnston, Louisiana
John B. Breaux, Louisiana
Richard Shelby, Alabama
Harry Reid, Nevada
Bob Graham, Florida
Herbert Kohl, Wisconsin
Russell D. Feingold, Wisconsin
Robert Krueger, Texas

MEMBERS
David Pryor, Arkansas

William S. Cohen, Maine
Larry Pressler, South Dakota
Charles E. Grassley, Iowa
Alan K. Simpson, Wyoming
James M. Jeffords, Vermont
John McCain, Arizona
Dave Durenberger, Minnesota
Larry Craig, Idaho
Conrad Burns, Montana
Arlen Specter, Pennsylvania

from universal coverage, minimal cost constraints on pharmaceutical pricing, and increased federal effort to support new drug research and development translate to a real boom for the drug industry from the President's plan," Pryor said.

"I will work to see that the pharmaceutical sector of the health care industry bears its fair share of responsibility to help contain skyrocketing health care inflation," Pryor said.

###

Pryor's complete statement (7-pages) will be available tomorrow morning.