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PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Hillary Rodham Clinton July 25, 1993
FR: Chris Jennings, Steve Edelstein
RE: Meeting with the House Small Business Committee
cc: Melanne, Steve, Lorraine, Distribution

Tomorrow you are scheduled to meet with Congressman John LaFalce and the bipartisan membership of his Small Business Committee. This is in response to a longstanding request from the Congressman for such a meeting, which he also relayed to you personally when he met with you on June 29th.

BACKGROUND:

This meeting is part of an ongoing outreach effort to the Chairman and to his committee. In addition to your meeting with Congressman LaFalce a month ago, Ira has met with him, we have held a small meeting with his committee staff, and we had Ken Thorpe brief the staff of the members who serve on the Committee.

As you recall, Congressman LaFalce is a cosponsor of the McDermott single payer bill. He feels that it is very important to break the link between employment and health care. His upstate New York district, which includes Niagara Falls, lies on the Canadian border. His constituents have a familiarity with the Canadian system (often through friends and relatives who live there) which makes the decision more comfortable for him.

He realizes, however, that single payer requires taxes which are too high. He also believes that the dislocation of people caused by the complete restructuring of health care is a good argument against that approach.

While he is not a major player on health care, Congressman LaFalce wants to help. If given sufficient attention, he can serve as a useful connection to the small business community. He is close to John Motley of NFIB. LaFalce's support may help us by taking some of the vitriol out of their public opposition. At the very least, his approval provides us with a credible counterweight to their attack. In addition, his committee can serve as a forum for airing our message on health care and small business.

Given the large Freshmen class in the House, the House Small Business Committee -- as one of the lesser committees -- has a lot of new members, since more senior members of the committee have moved on to more coveted assignments. The 45-member committee includes 12 Democratic and 13 Republican freshmen. It is also notable for its high representation from the House caucuses -- 9 members of the Congressional Black Caucus and 2 members of the Congressional Hispanic Caucus among its 27 Democratic members.

Attached for your review are brief profiles of the members of the Small Business Committee, the first draft of the small business notebook, and the table comparing the current system with the reformed system as it pertains to small business concerns.

MEETING FORMAT/STRUCTURE

Based on our conversations with the Committee, we anticipate a very large turn-out of Members -- it could be as many as 40. Because of the size, the Committee will not be able to set up a table around which everyone can sit. Therefore, the room will be set up conference style. You will sit up front with Chairman LaFalce, and possibly the Ranking Republican, Congresswoman Jan Meyers (R-KS). Chairman LaFalce will introduce you, and he hopes that you will give a brief presentation on the status and substance of the plan. Obviously, he would like you to focus your remarks on the plan as it affects small businesses. Following your presentation, he would like to open it up to the Members for comments, suggestions, and questions.

TALKING POINTS

I believe you would probably be best advised to focus your remarks on three themes (in whatever order you think best): (1) the philosophical underpinning of shared employer/employee responsibility inherent in the plan; (I believe most of the Members will find appeal in your discussion about the small town small businessperson who pays for her employees, while effectively also paying for the business and employees who have not purchased insurance); (2) the overwhelming discrimination and burdens the current system places on small businesses, their families, and their employees, and; (3) how the Clinton plan will help small businesses.

The attached table provides good background information for a presentation about small business problems and solutions. On the solutions side, I would particularly focus on: 1) the likely reduction in premiums for most small businesses that currently insure; 2) the 100% self-employed tax deduction; 3) the integration of the health portion of workers' compensation into the reformed system, and; 4) the elimination of discriminatory insurance practices.

HOUSE SMALL BUSINESS COMMITTEE
July 28, 1993

DEMOCRATS:

CONGRESSMAN JOHN LAFALCE (D-NY): The Chairman of the Small Business Committee, Congressman LaFalce can be a key player on health care reform and invaluable if it supports the Administration package. His support of Family and Medical Leave was crucial. LaFalce is on the Rural Health Care Coalition and close to labor.

Because his upper New York district borders Canada, both LaFalce and his constituents are familiar with and supportive of a single payer system. His role with the small business community and closeness to the National Federation of Independent Business make him skeptical of employer mandates. On the other hand, he understands why breaking the employer-employee link would be difficult. He wrote to the First Lady in February opposing employer mandates and offering to serve as liaison to the small business community. In May he discussed with Chris Jennings his excellent relationship with the NFIB and his regular meetings with their executive director.

He is supportive of universal coverage. The Task Force has been working closely with LaFalce, including Ira with whom he has worked in the past, and is hopeful that he will be helpful. While LaFalce does not have legislative jurisdiction on health care, he wants to hold hearings on its impact. His position may be influenced by his strong anti-choice views.

Recent Developments: In a June 23 meeting with the First Lady and McDermott cosponsors, LaFalce praised the Canadian system for being totally hassle-free. He would prefer no co-payments in the reform bill. He believes the biggest problems are for small businesses who operate on a very small margin. He said anything other than a payroll tax would be more progressive. He asked how to overcome doctor opposition.

The First Lady also met with Chairman LaFalce on the 29th of June. He stated that he "feels passionately" about health care and thought that it was especially important to sever the link between health coverage and jobs. He senses that people don't want to pay more for what they are getting now. He recognizes that a single payer system would mean unacceptable taxes. LaFalce believes that a good argument to make to single payer advocates is the dislocation of people under a complete restructuring of health care. LaFalce prefers a premium to a payroll approach. He asked how contract employees would be covered - by the employee, the service utilizing them, or the contract service. There was discussion of a $1500 deductible premium for the self-employed. He suggested a phase in over three or four years for low-wage workers and those under 25.

Regarding the NFIB, LaFalce wants to try for them to be simply opposed rather than undertaking a high mobilization opposition. He thinks their only concern is the financing mechanism. He would try to convince them to oppose that mechanism in a floor vote but not the whole package.

He recommends that the President release a set of health care principles and say that approach is best but that he will look at alternatives - including financing mechanisms. That would be a challenge to Congress and employers to put up or shut up.

In a personal note, he invited the First Lady to visit his Niagara Falls district and stated his interest in helping in whatever way possible. If used, he will be helpful.

CONGRESSMAN NEAL SMITH (D-IA): Congressman Smith has served in the House since 1959 and spends most of his time working on the Appropriations Subcommittee on Commerce, Justice, State and the Judiciary which he chairs. He is hopeful of someday chairing the full committee. Popular in his Des Moines district, Smith is a skilled parliamentarian who has never excelled at internal politics. His work on Appropriations has kept him from a prominent role on Small Business.

While Smith's general health care views are not known he should be supportive of the health care package. He is a liberal who cannot understand why other members, particularly Democrats, put deficit reduction ahead of social needs. He has voted pro-choice. In March, He flew with the First Lady to Iowa.

CONGRESSMAN IKE SKELTON (D-MO): A pro-defense, but not necessarily pro-Pentagon, Democrat, Congressman Skelton is in his ninth term in the House. He is a member of the Armed Services and Small Business Committees, Rural Health Care Coalition and Mainstream Forum. Skelton also served on the Select Committee on Aging. He has two sons pursuing military careers, one of whom served in the Persian Gulf. Congressmen Clay and Volkmer can be influential with him, and he and Secretary of Defense Aspin worked closely together when serving together in the House.

While Skelton's health care views are not know, he can be predicted to be sensitive to the concerns for rural areas and small business. He has said he does not believe the reform package should be voted on in 1993 but that he is worried about the runaway costs of health care. He is anti-choice.

CONGRESSMAN ROMANO MAZZOLI (D-KY): Congressman Mazzoli is best known for his role in the landmark immigration legislation of the late 1980's. Judiciary Committee Democrats, who felt that as Subcommittee Chairman he had sided with the Republicans too often, ousted him from his chairmanship. He did not defect to the GOP, as some speculated, and has since been returned to his chairmanship. Mazzoli represents Louisville and its suburbs and won with 53% of the vote in 1992. He has been less active on the Small Business Committee and tends to be a conservative vote on budget issues.

His general health care views are not known but he is expected to support the reform package. A Roman Catholic, Mazzoli is a strong opponent of abortion.

<u>CONGRESSMAN RON WYDEN (D-OR)</u>: The former executive director of Oregon's Gray Panthers, Congressman Wyden is an ardent advocate for the interests of the elderly. An aggressive and tenacious Member, Wyden is a committed liberal who was first elected in 1980. He represents Portland and some of its suburbs, as well as a small rural area. Wyden won in 1992 with 77% of the vote. He serves on both Small Business and Energy and Commerce where he is a close ally of Chairman Dingell. Wyden is a team player who will be willing to broker a deal between liberals and conservatives. He serves on Congressman Waxman's Health Subcommittee and is close to him as well.

Congressman Wyden is an enthusiastic supporter of Oregon's health care reform demonstration program. He is a strong proponent of abortion rights, and sponsored a bill for NIH research on RU-486. Wyden was a major sponsor of legislation to constrain the costs of drugs sold to Medicaid patients, and recently backed a bill to establish a process to provide reasonable prices for drugs, devices and other products receiving NIH funding. In the 103rd Congress, he reintroduced a bill to establish Federal standards for long-term care insurance policies. His staffer participated in Global Budget and the Quality Measurement Working Groups.

<u>CONGRESSMAN NORMAN SISISKY (D-VA)</u>: Congressman Sisisky is a World War II veteran and successful businessman whose aim in Congress is to make the Pentagon more fiscally responsible. He serves on the Armed Services Committee as well as Small Business and is a member of the Rural Health Care Coalition. Sisisky serves on the Select Committee on Aging. He is protective of both Portsmouth and the rural interests of his district, including tobacco and peanut farmers.

Sisisky's views on health care reform are not known. He signed the March 30 letter regarding tobacco excise taxes and has been against abortion rights. Sisisky voted against Family and Medical Leave and is not expected to support the Administration on health care.

<u>CONGRESSMAN JOHN CONYERS, JR. (D-MI)</u>: The Chairman of the Government Operations Committee was instrumental in establishing the Congressional Black Caucus and is a long-time fighter for civil rights and minority concerns. Conyers, who is also on the Judiciary Committee, surprised many by dropping his sometimes abrasive style and skillfully, albeit sometimes painfully, investigating the charges against black judge Alcee Hastings. Ironically, Hastings is now a freshman Member of Congress.

Conyers favored putting the health care package into reconciliation. He believes health care reform is the most important program since Roosevelt but may be difficult because he strongly supports a single payer approach. Along with Congressman McDermott, Conyers is a leading sponsor of the House Single Payer bill and fights for recognition of that fact. He attended two early meetings with the First Lady. His district is overwhelmingly black and has all the problems one anticipates for a poor urban area. He will fight for those concerns and, while often still a loner, is very adept at press. One of Conyers' staff members served on the Working Group.

CONGRESSMAN JAMES BILBRAY (D-NY): A lawyer from a well-connected Law Vegas family, Congressman Bilbray is a moderate who serves on both Armed Services and Small Business. Despite some missteps when he first came to the House, he is known to be highly intelligent and a successful fighter for his state. White House lobbyists counted him as a "real trooper" on the economic package.

On health care, Bilbray's views are not known. However, he has shown concern for both the elderly and veterans and supports home care. A Roman Catholic, he has stated that after discussion with his family, he now supports reproductive rights.

CONGRESSMAN KWEISI MFUME (D-MD): Congressman Kweisi Mfume (pronounced Kway-see Em-fume-ay) represents most of metropolitan Baltimore. He has been able to turn personal disappointments in his early life into positive life experiences. He was elected in 1986, after serving on the Baltimore City Council. He was first assigned to the Banking, Finance and Urban Affairs Committee and currently serves on the Small Business, Ethics, and Joint Economic Committees. He has spent most of his time on the Banking Committee working on housing issues.

Congressman Mfume is the current Chairman of the Congressional Black Caucus. The caucus has raised two main concerns regarding health care reform. The first is how to address the needs of underserved populations. The Administration's plan must incorporate and reach out to those who are currently underserved by the health care system. Secondly, the caucus is concerned that doctors, who are the primary providers in many African-American communities, are not unfairly treated by the Administration's reforms, and that in developing networks accommodations are made for community providers. Similarly, the CBC is interested in ensuring that traditionally black colleges are not disproportionately effected by health care reform. Congressman Stokes has taken the lead on health care reform for the caucus, and will be extremely influential in getting their support. Congressman Mfume has suggested that if Stokes is happy with the Administration's proposal, they will be happy.

CONGRESSMAN FLOYD FLAKE (D-NY): Congressman Flake is considered one of the new generation of black House members who are willing to work for change through the power structure rather than from the outside. There has been some controversy around Flake, a charismatic AME Minister. In 1991 the government dismissed a case against him in which he was accused of diverting federal housing funds from his church for his own use. In 1988 a church panel rejected claims of sexual harassment by a woman parishioner. Flake is a member of the Small Business and Banking Committees. He is a McDermott co-sponsor but is expected to be supportive of the Administration's health care reform efforts. Flake believes that VA hospitals are underutilized. He attended the First Lady's March meeting with the CBC.

CONGRESSMAN BILL SARPALIUS (D-TX): This is Congressman Sarpalius' third term in Congress, representing the eastern panhandle of Texas. He is a conservative Democrat who voted as often with President Bush as with the Democrats. Sarpalius has a compelling personal history - he was a victim of polio as a child, abandoned by his father at 10, and sent by his alcoholic mother to a home for wayward boys. He served in the State Senate. Sarpalius is now a member of the Agriculture and Small Business Committees. On the latter, he chairs the Health Subcommittee. He is also a member of the Mainstream Forum and the Rural Health Care Coalition. He voted against the budget package in May.

Sarpalius's health care views are not known, but he is said to want to play a major role through his Health Subcommittee. He opposes abortion.

CONGRESSMAN GLENN POSHARD (D-IL): Congressman Poshard treads a difficult line between his conservative outlook and a rural constituency which presses him to vote as a traditional labor Democrat. He serves on the Small Business Committee and is a member of both the Rural Health Care Coalition and the Mainstream Forum.

In December he wrote to the President-Elect about health care reform, in particular the need for access for those living in rural areas. Rural health care was one of Poshard's specialties in the state legislature. He also asked that reform focus on: preventive health care; technology sharing; increased usage of mid-level health care providers, including nurse-midwives, nurse practitioners and physician assistants; conversion of unused hospital beds into paying entities; and improved incentives to recruit health care professionals to rural areas. In March Poshard held three district hearings on health care reform. He forwarded that testimony to the First Lady stating that the result "confirms that major reform of our health care system is necessary and that your efforts in this process are indeed appreciated."

CONGRESSWOMAN EVA CLAYTON (D-NC): Congresswoman Eva Clayton has been elected Chairwoman of the Democratic Freshman class. She represents a tobacco-producing district and was one of the 30 co-signers of the March 30 letter urging caution on tobacco excise taxes. Clayton sits on the Agriculture and Small Business Committees. She is a member of the Congressional Black Caucus, and attended the March 2 meeting with the First Lady.

At that time she was concerned about the role of the Jackson Hole Group in formulating the health care package. In a February letter to the First Lady, she outlined her experience as a County Commissioner faced with the possibility of the only hospital in their rural community being closed. They were not only able to save the hospital but also create a primary preventive care system as well. Based on that letter, her health care focus will be on underserved populations - both rural and urban poor - and on preventive health care. She will be in a delicate position, balancing the conflicting tobacco and health care interests of her district.

CONGRESSMAN MARTIN MEEHAN (D-MA): Freshman Congressman Meehan made his reputation as a crime fighter when, as an assistant district attorney, he dealt with white collar and violent crime, and hate crimes against gays. Meehan comes to Congress with a liberal agenda which fits his Lowell constituency. He may also feel the need, however, to be independent. He serves on the Small Business and Armed Services Committees.

During his campaign, Meehan advocated a "play or pay" health care plan. He supports universal access and has proposed a cost-containment program to bring down doctor and hospital bills. A Roman Catholic, he supports abortion rights. He also supports sin taxes.

CONGRESSWOMAN PAT DANNER (D-MO): Freshman Congresswoman Danner represents a largely agricultural area of Missouri - an area she served in the state senate as well. She sits on the Small Business Committee, and is a member of the Mainstream Forum.

On health care issues, Danner opposes a national system and supports tax breaks for small businesses which offer health insurance. She would like to see costs cut by standardizing medical forms. She also advocates drug coverage for those under 65 and is opposed to rationing. Danner attended the Mainstream Forum meeting with Ira and the First Lady's meeting with the Caucus for Women's Issues. Danner's family is very involved with the medical profession: one daughter-in-law is a nurse; one son-in-law is a surgeon; and one daughter is an anesthesiologist.

CONGRESSMAN TED STRICKLAND (OH): Freshman Congressman Strickland won his first term by 51% and represents an industrial area. He is considered a liberal Democrat. A former professor who ran three times before capturing the seat, Strickland serves on both Small Business and Education and Labor.

He believes in a community based and employment-based approach with small business paying into a public insurance pool. He favors inclusion of mental health benefits in the Administration's plan. He also favors stronger emphasis on preventive care, immunizations and prenatal care. He has pledged not to accept the health care coverage offered to members until all Americans have coverage. He attended a briefing for Congressional members on mental health issues by Mrs. Gore, which he spoke eloquently about the need for reform.

CONGRESSWOMAN NYDIA VELAZQUEZ (D-NY): The first Puerto Rican woman to serve in Congress, Freshman Velazquez (pronounced NYD-ee-uh veh-LASS-kez) has, through a monthly column in the nation's largest Spanish-speaking newspaper and her work for the Government of Puerto Rico, focused her career on the needs of Hispanics, women and the poor. After a fierce primary, she won overwhelmingly in this district which includes lower Manhattan, and parts of Brooklyn and Queens. In addition to the Small Business Committee, she sits on the Banking Committee.

In a March letter inviting the First Lady to discuss health care and tour her district, Velazquez outlined some of the specific health problems of her Latino community: high uninsurance rates; population most likely to receive Medicaid benefits; infant mortality; tuberculosis; HIV; and the need for basic primary care for women. Velazquez is a McDermott co-sponsor and sits on the Banking and Small Business Committees. She is also a member of the Caucus for Women's Issues and the Hispanic Caucus. She attended the latter's March 2 meeting with the First Lady. Velazquez is pro-choice and co-signed the May 13 letter urging inclusion of abortion services in the health care package.

CONGRESSMAN CLEO FIELDS (D-LA): Freshman Congressman Fields is a former state legislator who represents parts of Monroe, Shreveport, and Baton Rouge. Fields is a lawyer and was, at 24, the youngest member in the history of the Louisiana Senate. He won in 1992 with 74% of the vote in his newly drawn district. He now sits on the Small Business and Banking Committees.

On health care reform, he is expected to take his cues from the Congressional Black Caucus. His state has a large charitable hospital system. Fields attended the March 2 meeting with the First Lady.

CONGRESSWOMAN MARJORIE MARGOLIES-MEZVINSKY (D-PA): Congresswoman Marjorie Margolies-Mezvinsky rode a wave of anti-incumbent, anti-politician sentiment in order to eke out a slim victory in her race for the House. At one time a reporter for WRC-TV in Washington, she is married to former Iowa Democratic Congressman Edward Mezvinsky. She is very skittish about her district which has a Republican edge in registration. However, her constituents are liberal on social issues and have voted Democratic in recent elections. She has voted against the President on economic issues, presumably out of fear of a backlash from her fiscally conservative constituents.

The Congresswoman's particular concerns are children and child welfare, education, and issues related to families. She is the first unmarried American to adopt a foreign child and at one time or another she has had 11 children growing up in her household. She sits on the Energy and Commerce and Small Business Committees.

On health care reform, she has said she wants to be involved but most people believe she will need serious work before she votes for the plan.

CONGRESSMAN WALTER TUCKER (D-CA): The former Mayor of Compton, freshman Congressman Tucker's ethnically diverse district has perhaps the highest unemployment rate in California. Tucker has a law degree from Georgetown University and comes to Washington with a decidedly liberal, urban agenda. He is a member of the Small Business Committee.

Tucker campaigned for health care reform and for federally financed inner-city health centers, including mobile clinics. He attended the First Lady's March meeting with the Congressional Black Caucus.

CONGRESSMAN RON KLINK (PA): Freshman Congressman Klink is a former television anchorman who beat an incumbent Democrat in a heavily Democratic district. The incumbent had lost key union support. Klink voted for the President's budget plan on May 27 after intense contact and negotiations with the White House. In addition to the Education and Labor Committee, he serves on the Small Business, Banking and Steering and Policy Committees.

Klink campaigned in support of reforming the nation's health care system. He was on the board of a health care institution in his district.

CONGRESSWOMAN LUCILLE ROYBAL-ALLARD (D-CA): Freshman Congresswoman Roybal-Allard represents the Congressional district with the nation's highest concentration of Hispanics. While serving in the California Assembly, Roybal-Allard chaired a subcommittee on health and human services. In the Congress, she is a member of the Small Business and Banking Committees, as well as the Caucus for Women's Issues and the Hispanic Caucus.

Roybal-Allard has taken a leadership role in the Congressional Hispanic Caucus and set up a meeting with the First Lady and a group of Hispanic women to discuss their particular health concerns. A Roman Catholic, Roybal-Allard is pro-choice and co-signed the May 13 letter urging inclusion of abortion coverage in the health care package. She is a McDermott co-sponsor and is particularly concerned about coverage for the uninsured.

CONGRESSMAN EARL HILLIARD (D-AL): A freshman Congressman from rural Alabama, Hilliard serves on both the Agriculture and Small Business Committees. He is a lawyer who served in both the Alabama House and Senate.

Hillard campaigned on a platform which included a national health care program. He met with Steve Edelstein to discuss health care and indicated his belief that the package should be comprehensive, including malpractice reform. His chief-of-staff formerly worked for Claude Pepper and could be helpful. Hilliard is a McDermott co-sponsor. He attended the Congressional Black Caucus's March 2 meeting with the First Lady.

CONGRESSMAN MARTIN LANCASTER (D-NC): Congressman Lancaster represents conservative East Carolina tobacco country as well as Camp Lejeune and the Seymour Johnson Air Force Base. Protective of his district's economic interests, Lancaster is considered a conservative Democrat but in the Jim Hunt tradition. Lancaster serves on the Armed Services and Small Business Committees and won with 54% of the vote in 1992.

In March Lancaster wrote a long letter to the First Lady outlining his health care reform concerns, including: rural access in a managed competition system; the need for more primary care and fewer specialty physicians; the benefits of home health care and hospice services; the need for preventive care; and how to address costs at the end of life. In addition, he wrote that his wife, Alice, had worked with Mrs. Gore on the Adolescent Mental Health Care Task Force, and that he supported inclusion of mental health services in the reform package. He also stated that while jogging with the President, he had brought up the issue of state flexibility which the President had assured him would be a feature in the final package. Lancaster was one of the 25 Members co-signing the letter to the President concerning tobacco excise taxes. He has voted for abortion services and attended Ira's meeting with the House Democratic Caucus on March 31.

CONGRESSMAN TOM ANDREWS (D-ME): Second-term Congressman Tom Andrews is a liberal activist turned legislator. Before being elected to Congress he worked on causes related to the poor and was executive director of the Maine Association of Handicapped Persons. As a teenager Andrews had a leg amputated because of cancer. He is popular in his district which encompasses Portland and former President Bush's Kennebunkport summer home. Andrews serves on the Small Business, Armed Services, and Merchant Marine Committees. Andrews is a McDermott co-sponsor but is expected to support the Administration's package.

CONGRESSWOMAN MAXINE WATERS (D-CA): A liberal activist who is outspoken about the problems of the inner-city urban area she represents, Congresswoman Waters focuses her energy on the needs of the minority poor. She received a great deal of attention when riots erupted in the Watts area of her Congressional District following the first Rodney King verdict. A Democratic National Committeewoman, Waters was an active supporter of Jesse Jackson's Presidential ambitions. She sits on the Small Business and Veterans' Affairs Committees and is a member of both the Congressional Black Caucus and the Caucus for Women's Issues. Waters attended the First Lady's meetings with the latter two groups.

She is a McDermott co-sponsor but is expected to vote for the health care package as long as it includes abortion services. She was very active in the Clinton/Gore campaign.

CONGRESSMAN BENNIE THOMPSON (D-MS): Congressman Thompson was elected to fill the seat of now Agriculture Secretary Espy. Thompson has had an active career in local politics and holds a Master of Science degree. In addition to being a member of the Congressional Black Caucus, Thompson is on the Small Business, Agriculture, and Merchant Marine Committees.

His district is the second poorest in the United States. Health care services for the large indigent population are either non-existent or woefully inadequate. Thompson would like to see not only adequate health care, but sufficient numbers of health care professionals, and appropriate and affordable insurance and/or funding programs for his district.

REPUBLICANS:

CONGRESSWOMAN JAN MEYERS (R-KS): Congresswoman Meyers is a moderate and pro-choice with possible aspirations for statewide office. The ranking Republican on the Small Business Committee, she has focused on extending the health insurance deduction for the self-employed - while maintaining the GOP line against federal mandates on employers.

While Meyers' general health care views are not know, her son is a physician. A member of the Caucus for Women's Issues, she attended their February meeting with the First Lady. She is a Bonior target.

CONGRESSMAN LARRY COMBEST (R-TX): A protege of the late Sen. John Tower and former Congressional staffer, Congressman Combest is known as a steady conservative with a talent for legislative deal-making. He is safe in his western panhandle district which includes parts of Lubbock and Amarillo. In addition to the Small Business Committee, he serves on Agriculture. He is an ally of Rep. Stenholm and in 1990 was one of four House members to vote 100 percent of the time with the "conservative coalition" of Republicans and Southern Democrats. He is not, however, an ally of Newt Gingrich, as Combest prefers a more pragmatic and behind-the-scenes role.

Combest's views on health care reform are not known. He will undoubtedly be sensitive to rural interests. He has voted against abortion.

CONGRESSMAN RICHARD H. BAKER (R-LA): Congressman Baker began his long career in Louisiana politics as a labor-oriented Democrat in the state House. He switched parties and in Congress is considered a low-key conservative party loyalist. His district is a mix of rural areas and most of Baton Rouge and its suburban areas. Baker serves on the Small Business, Banking, and Natural Resources Committees. He won in 1992 with 51% of the vote.

When Baker switched his total opposition to abortion to its being allowed in cases of rape and incest, some thought he was looking toward a statewide race. His general views on health care reform are not known.

CONGRESSMAN JOEL HEFLEY (R-CO): A former state legislator, Congressman Hefley is a pro-defense, business-oriented legislator. His district includes Colorado Springs and south central Colorado, and he won there with 74% in 1992. In addition to the Small Business Committee, Hefley sits on the Armed Services and Natural Resources Committees.

His health care positions, others than his opposition to abortion, are not known. The single piece of legislation with his name attached is the National Visiting Nurses Association Week.

CONGRESSMAN RONALD MACHTLEY (R-RI): Congressman Machtley (pronounced MAKE-lee) is one of the House's more liberal Republicans, a position supported by his constituents who returned him with 70% of the vote in 1992. He represents Providence and eastern parts of the state which include light manufacturing. Machtley serves on the Armed Services and Small Business Committees. He previously was a member of the Select Committee on Children. A lawyer, Machtley is a graduate of the Naval Academy and continues to serve in the Navy Reserves. His vote to override President Bush's veto of the "family leave" bill was one of many against his party.

Machtley's views on health care are not known. He has been a volunteer with the YMCA and that and his work on the Select Committee on Children clearly indicate an interest in the young. He will also presumably look out for small business interests. He is a supporter of reproductive rights. Congressman Bonior considers Machtley a top target.

CONGRESSMAN JIM RAMSTAD (R-MN): Congressman Ramstad is in his seond term and came to Congress as a former staffer in both the House and the Senate. He represents suburbs of Minneapolis. He now sits on the Small Business and Judiciary Committees. Ramstad replaced Bill Frenzel in the House. Frenzel was moderate but partisan and Ramstad considers him his mentor.

While Ramstad's general health care views are not known, he is pro-choice. He has been interested in emergency medical care for children. He worked on issues involving chemical dependency in young people, cocaine babies and the handicapped while in the State Senate. At that time he also dealt with a personal alcoholism problem.

CONGRESSMAN SAM JOHNSON (R-TX): Congressman Johnson is a former fighter-pilot who lost partial use of his right arm while held prisoner in North Vietnam. He met his future colleague, Senator John McCain, while there. Johnson represents north Dallas and won with 86% of the vote in 1992. He came to Congress in 1991 after winning the seat when the incumbent ran for mayor of Dallas.

Johnson's health care views are not known.

CONGRESSMAN BILL ZELIFF (R-NH): A protege of former Gov. John Sununu, Congressman Zeliff won in 1990 on his image as a successful businessman - and after spending $400,000 in the GOP primary. Zeliff's district includes Manchester and eastern New Hampshire. He retained it with 53% of the vote in 1992. Zeliff
is a member of the Small Business, Government Operations and Public Works Committees.

While Zeliff's health care views are not known, one possible indicator of his views is that as the owner of a small resort, he has linked his business success to entrepreneurialism and frugality.

CONGRESSMAN MAC COLLINS (R-GA): Freshman Congressman Collins won his seat with 55% thanks to redistricting and a strong anti-Washington mood. His district includes parts of Newt Gingrich's old district and is a mixture of independents, Reagan Democrats and Republican suburbanites. It is a seat targeted by Democrats in 1994. Collins is ia truck company owner and seen as a down-home conservative with a knack for hard-nosed campaigning. In the state Senate, Collins is said to have used a "graceful negotiating style" to help enact bills to combat drug dealing and to help people get off welfare. His health care views are unknown.

CONGRESSMAN SCOTT MCINNIS (R-CO): Serving his first term in Congress after five in the state legislature, Congressman McInnis is a traditional conservative. He won with 56% on the western slope of Colorado, including Pueblo. He serves on both the Small Business and Natural Resources Committees.

While his specific views on health care are not known, he will be looking out for rural areas as well as small business. A Roman Catholic, McInnis is pro-abortion.

CONGRESSMAN MICHAEL HUFFINGTON (R-CA): Freshman Congressman Huffington won his seat with 53% of the vote after spending the record sum of $4.2 million. He is a former Reagan administration official and video production company owner who has never held elective office. He holds engineering and economics degrees from Stanford and an MBA from Harvard. Huffington serves on the Small Business and Banking Committees. He has said he wants to eliminate all Capitol Hill perks and significantly change the way Congress operates.

While Huffington's general health care views are not known, he campaigned against tobacco interests. He also supports abortion rights.

CONGRESSMAN JAMES M. TALENT (R-MO): Congressman Talent comes to Congress with substantial experience in the state legislature and a strong conservative agenda. Talent beat President Bush's cousin in the primary and first term Democrat Joan Kelly Horn in the general. He won this largely suburban district with 50% of the vote. He sits on Armed Services and wants to use his position on Small Business to guard against excessive government regulation.

While Talent supports health care reform along the lines of managed competition, he opposes universal health coverage. He supports malpractice reform and allowing employees to establish medical IRAs. However, he opposes government allocating health care resources. Talent supports abortion only in cases of rape, incest or to protect the woman's life.

CONGRESSMAN JOE KNOLLENBERG (R-MI): Freshman Congressman Knollenberg used his long-time party experience to win this open seat with 58% of the vote. The owner of an insurance agency, Knollenberg now represents an upscale Republican district in suburban Detroit. Abortion rights advocates thought they could win the seat given Knollenberg's hard line on abortion - he supports it only to save the life of the mother. Knollenberg now sits on the Banking as well as the Small Business Committee.

Other than his position on abortion, Knollenberg's views on health care are not know.

CONGRESSMAN JAY DICKEY (R-AR): Another Freshman who was once a Democrat, Congressman Dickey won by 52% and Democrats are looking to regain the seat in 1994. In addition to Small Business, he sits on the Agriculture and Natural Resources Committees.

Congressman Dickey requested a meeting with the First Lady which was held on June 7. He brought in his district working group which includes over 15 physicians and the President of the Arkansas Medical Society. Dickey and his group met later with the President in the Oval Office as well as having a separate meeting with Chris Jennings and Phil Lee. Dickey indicated that he wanted to be either a Republican co-sponsor or the only Republican sponsor of health care reform but not if it includes abortion in any form. He is concerned about the effects of the package on small business, but that is not as important to him as malpractice reform or abortion. He received a lot of press in his district from the meetings and was most appreciative of the time he was given. One personal note, Dickey is a polio survivor.

CONGRESSMAN JAY KIM (R-CA): Congressman Kim is the first Korean-American to win a seat in Congress. His newly created seat includes parts of Orange, Los Angeles, and San Bernardino Counties. Kim is a small business conservative and strong opponent of unnecessary government spending. He sold his construction business to avoid any appearance of conflict of interest - it was one of five minority-owned companies hired following the Rodney King riots in LA. An LA grand jury has subpoenaed his campaign records and company documents in an investigation of his using corporate funds to finance his campaign. In addition to Small Business, Kim is on Public Works and Transportation.

His health care views are not known. His only child is a neurosurgeon. Kim is a libertarian on abortion - believing it not to be the government's business.

CONGRESSMAN DONALD MANZULLO (R-IL): A hard-line conservative, Freshman Congressman Manzullo beat a one-term Democrat with 56% of the vote - the first Democrat to hold this aging, rural district in northwest Illinois. There may be a rematch in 1994. Manzullo sits on Foreign Affairs as well as Small Business.

Manzullo has received a lot of support from fundamentalist Christians and has crusaded against abortion. His other health care views are not known, but he is apt to be concerned about rural coverage.

CONGRESSMAN PETER G. TORKILDSEN (R-MA): Freshman Congressman Torkildsen served in the state legislature and as Massachusetts Commissioner of Labor. He strongly resembles his former boss, Governor William Weld, with his fiscally conservative, pro-business stand and his support - as of April - of abortion rights. Torkildsen won his seat with 51% of the vote and Democrats hope to recapture it in 1994. He sits on the Armed Services as well as the Small Business Committee.

Health care reform is one of Torkildsen's priorities. He supports a pro-business plan of vouchers and tax credits. He is one of Congressman Bonior's targets.

CONGRESSMAN ROB PORTMAN (R-OH): The most junior member of this Congress, Representative Portman won the seat of Republican Bill Gradison, a man he once interned for when he was in college. Portman has extensive Washington experience, including practicing at Patton, Boggs and Blow and Director of President Bush's Office of Legislative Affairs. Portman won the seat with 70% of the vote.

His health care views are not known.

CJ's chart

SMALL BUSINESS, HEALTH CARE COSTS, AND THE CLINTON REFORM PLAN*

Small businesses face higher costs and more unstable insurance premiums. The Clinton plan will reduce these burdensome costs.

TODAY	THE CLINTON REFORM PROPOSAL
High Administrative Costs: Higher administrative costs kill small businesses. These costs account for as much as 40% of the policy costs compared to about 5% for large companies.	**Cuts Administrative Costs:** Administrative costs will be dramatically reduced by the formation of health alliances which will streamline and simplify administrative functions.
Faster Rising Costs: Premiums for small employers rise at a faster rate than for other employers -- as much as 50% in any given year. [NAM]	**Aggressively Controls Costs:** Health reform will aggressively control costs through market based competition backed up by an enforceable budget.
Inequitable Self-Employed Tax Policy: Today, unlike big businesses, small, self-employed businesses cannot deduct 100 percent of their health care expenses. This has the practical effect of further increasing the cost of insurance that is already priced higher than that available to larger firms.	**Increases Deduction to 100% for Self-Employed:** The Administration proposal will ensure that the self-employed are treated equally under our nation's tax policy, allowing them to deduct the full value of their health insurance coverage.
Workers' Compensation Costs: In today's system, high health care costs are surpassed only by the skyrocketing costs of workers' compensation insurance. Between 1980 and 1985, workers' compensation medical cost grew more than one and a half times as fast as medical costs and now accounts for $24 billion a year in health care expenditures.	**Reform Workers' Compensation:** The Administration's proposal reforms the health component of workers' compensation insurance, making it more efficient and reducing costs by covering work related injuries through health plans in the same manner as non work related injuries -- eliminating duplication and improving quality for workers who receive services.
Small Employers Have No Control: Small businesses and their employees have little or no ability to determine the level of premiums they pay or the information they receive about the services the plans provide.	**Assures Employers a Place on Alliance:** Business owners will sit on alliances to ensure sensitivity and responsiveness to needs of employers in terms of costs, administrative simplification and quality.
Volatile Costs: Small businesses face large variations in the costs of similar plans. Nearly identical benefits packages can range in price by as much as 350%. [Blue Cross/Blue Shield, Survey of Six Sample Plans, January 1992]	**Stabilize Costs:** The Administration proposal will stop the wild fluctuation of premiums in the small group market through community ratings and insurance reform. We will outlaw discriminatory pricing and ensure smaller predictable cost with aggressive cost controls.

SMALL BUSINESS, INSURANCE ABUSES, AND THE CLINTON REFORM PLAN *

Many insurers discriminate against small businesses, often charging more for similar policies or refusing to provide coverage at all. Abuses within the insurance industry hit small businesses particularly hard.

TODAY	THE CLINTON REFORM PROPOSAL
Hassle Factor: Small business owners who cover their employees spend inordinate amounts of time trying to figure out a maze of insurance policies, forms, and requirements. What's worse is that the rules of the game are changed all the time; unfortunately, they are changed by the seller and not the buyer.	**Eliminates Hassle:** The employer no longer has to worry about the headaches of selecting insurance for his/her employees. The employer/employee-run health alliance negotiates rates, provides information on plans, increases ease of enrollment and absorbs the manpower drain. Then, the employee, not the employer, chooses the plan. Regardless of the choice, however, the employer pays the same fixed amount.
Small Risk Pool: Fewer employees mean a smaller pool to share the risk. Insurers frequently charge more for these policies.	**Spreads Risk Evenly:** The proposal consolidates small businesses in purchasing pools to give them the same bargaining power as large firms.
Underwriting and Experience Rating: Medical underwriting is the practice of basing premiums on perceived risk and medical history. Experience rating is when insurers jack up costs after an employee falls ill or gets injured.	**Prevents insurers from raising rates or dropping coverage after illness strikes:** The Administration's proposal will reform practices such as underwriting and experience rating. Under the Clinton plan, you can drop your insurance plan, but they can't drop you.
Price Baiting and Gouging: Many insurers engage in "price baiting and gouging" offering "discount" rates for the first year of coverage only to charge much higher prices in the next year when pre-existing condition exclusions expire.	**Outlaws Price Baiting and Gouging:** The plan will end the days when insurers can raise and lower premiums at their whim. We will bring predictability and fairness to the cost of insuring families and workers.
Occupational Redlining: Some insurers simply refuse to cover entire industries perceived to be high risk.	**Covers Everyone:** Under the Clinton plan, there is an end to occupational redlining.
Refusal to Renew Policy: After a first year of reasonable rates, small businesses often face higher costs and difficulty obtaining renewal.	**Guarantees Renewal:** The Clinton plan guarantees insurance renewal and stabilizes premiums.

* All reform scenarios are based on assumptions of policies which have yet to be finalized or released.

DETERMINED TO BE AN ADMINISTRATIVE
MARKING Per E.O. 12958 as amended, Sec. 3.2 (c)
Initials: JT Date: 8·15·05

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Hillary Rodham Clinton July 27, 1993
FR: Chris Jennings, Steve Edelstein
RE: Joint Message Group Meeting
cc: Melanne, Steve, Distribution

Tomorrow you are scheduled to meet with the joint Senate and House Message Group. This is part of a weekly series of meetings with Members on in preparation for the unveiling of the plan. Tomorrow's meeting will focus on Questions and Answers (Q's and A's) and how to respond to criticisms of the plan. Mandy Grunwald and Arnold Bennett will lead the discussion on how to respond to criticisms of the plan. They will be working off the set of Q's and A's we sent up to the Hill prior to the Memorial Day recess. Obviously, the Members would like you to participate as you see fit. Before turning it back over to Senator Mitchell or Mandy, you may wish to make a few comments about the following subjects.

We are in the process of updating both the questions and the answers to reflect the recommendations of the Congressional Leadership staff and the result of the discussion at this meeting of the Message group. Please find a set of the original document attached.

TALKING POINTS:

Message Group and Focus Group Meetings: "I understand that the message and focus group meetings have gone well in my absence. The input we have received in those meetings will prove invaluable to us in preparing the Congressional notebooks and other pre-launch materials."

Congressional Notebooks: "We are in the process of preparing notebooks for the Leadership for their use and distribution to the membership as they see fit prior to the August recess. Included in these books will be a discussion of the "Cost of Doing Nothing," an overview of the plan (a brief description of the policy recommendations), the strengths piece (a message piece on how to talk about the plan), and an updated set of Q's and A's."

Update on Health Care University: "As you know, the plan is for the Health Care University to be held on a bipartisan basis after the announcement of the plan. I know, White House and Department Staff met last night with Senator Daschle and Majority Leader Gephardt to further develop the concept of the university. I look forward to continuing to work with the Leadership to establish a constructive schedule for meetings and consultations over the next few months."

DETERMINED TO BE AN ADMINISTRATIVE
MARKING Per E.O. 12958 as amended, Sec. 3.2 (c)
Initials: [illegible] Date: 8.15.05

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

July 26, 1993

TO:	Bob Boorstin	Karen Pollitz
	Jeff Eller	Meeghan Prunty
	Christine Heenan	Steve Ricchetti
	Jerry Klepner	Jason Solomon
	Lynn Margherio	Melanne Verveer

FR: ✓Chris Jennings, Steve Edelstein
RE: Agenda for Tomorrow's Meeting

Tomorrow we are scheduled to meet at 9:00 AM in Room 211 OEOB to discuss the Health Care University and the materials we are preparing for distribution to Congress before their August recess. Attached are:

1. an agenda for tomorrow's meeting,
2. the agenda for the meeting with Daschle and Gephardt on Health Care University tomorrow evening,
3. the original memo on the Health Care University, and
4. comments from Gephardt's Office and the DPC on revisions to our last set of Q & A's we sent up to the Hill.

- Definition of problem / Cost of doing nothing
- 1 page & 5 page of plan
-

- Who is doing tomorrow's meeting?

MEETING
July 27, 1993 - 9:00 AM

AGENDA

I. HEALTH CARE UNIVERSITY

- Timing
- Participation
  - Bipartisan?
  - Bicameral?
- Purpose
- Briefers
- Format
- Materials
- Topics
- Name
- Other sessions

II. CONGRESSIONAL MATERIALS

- Brief Overview of Plan
- Strengths Piece
- Revised Q & A's

Memorandum

TO: Tom

FROM: Rima

RE: **Health Care University Meeting**

DATE: July 26, 1993

You will be meeting tomorrow at 5:00 to develop the Health Care University (HCU) concept with Administration officials, Rep. Gephardt and his policy director Andy King, Chris Williams (Sen. Mitchell), and Debra Silimeo. Administration representatives may include Chris Jennings, Jeff Eller, Steve Ricchetti, Melanne Verveer (First Lady's Deputy Chief of Staff), Jerry Klepner/Karen Pollitz/Steve Edelstein (HHS), and Bob Boorstin (Task Force Communications & Policy Coordinator).

Following are possible issues to raise at the meeting (Andy King and Chris Jennings contributed to this list):

* **Timing of HCU:** Pre- or post-launch? Exact dates/time of day; weekdays/weekend?

* **Bipartisan?** This question is especially important if the educational effort is pre-launch.

* **Bicameral?** If so, should the House and Senate effort be conducted jointly?

* **Purpose of HCU:** Is it primarily to present a rationale for the President's policy or is it more message-oriented (or both)?

* **Who should coordinate and conduct the sessions?** Administration representatives, academics/analysts (just supporters of the plan or do we want a range of opinions?), or both?

* **Format:** How long and balance between presentations and Q & A.

* **Supporting materials and statistics:** What kind of handouts and charts will be helpful, and will Administration have cost estimates that will break down amount individuals and businesses will spend relative to current system?

* **What issues should be raised?** The White House came up with 10 subjects for discussion (see attached draft memo). Is this list appropriate and complete?

* **Should we change the name?** Mrs. Clinton was concerned that Members may find the name "HCU" patronizing. Is this a concern? If so, what are other possible names? (?)

* **Other educational efforts?** Are other educational sessions necessary, especially for a smaller group of Democrats who can be called on to say positive things about the plan immediately post-launch?

Preliminary Draft

HEALTH CARE UNIVERSITY CONCEPT/IMPLEMENTATION PROPOSAL

Majority Leader Gephardt, Majority Leader Mitchell, and Senator Daschle have repeatedly raised concerns about the limited education level of Members as it relates to health care. Senator Daschle and Congressman Gephardt have promoted the establishment of a kind of "health care university" for Members of Congress. They believe the "classes" should be **open to Members of both parties.** The First Lady believes that the Leadership's suggestion is excellent and should be implemented as soon as practical and advisable.

Mrs. Clinton has asked that the following proposal for a series of health care briefings (she would prefer to use a title other than Health Care University) by Administration health policy and legislative affairs representatives be given to and reviewed by the Congressional Leadership and their staffs. **Before proceeding with the outline, however, we wish to stress that the Administration believes these important presentations should be viewed as a supplement to, and not a substitute for, the consultations that have and will continue to take place with the Congressional Leadership.**

We believe that the establishment of a health care university-like entity (from now on referred to -- at least temporarily -- as **health care briefings**) has great potential. If done well, it the process should:

(1) Reinvigorate the "need for action" mentality that, until very recently, had been effectively fanning the flames of desire for comprehensive health reform in the Congress;

(2) Ease Congressional concerns about, and raise Member comfort levels with, the President's proposal to address the problems;

(3) Better enable prospective Congressional supporters to explain, defend, and sell the President's proposal; and

(4) Be utilized to help educate surrogates in home Congressional districts.

Achieving success in briefing Administration, Congressional, and other influential individuals will depend on the ability of the health care briefings to: (1) communicate our message in a simple, understandable way; (2) utilize staff resources most effectively; and (3) be responsive to the information needs and time constraints of those we will rely on to support the President's health reform initiative. To develop and implement an effective educational briefing process we will have to successfully:

- **Target the Issues**
- **Target the Best Personnel to Make Presentations**
- **Establish a Staff/Intake and Scheduling Process**
- **Prepare the Briefing Materials and Presentations**
- **Brief and Train the Briefers**
- **Develop a Workable Timetable**

TARGET THE ISSUES

The briefings should convey a simple, concise message and be responsive to what we know to be **the major thematic priorities and interests of the majority of the Congress.** As a first cut, we propose limiting the briefings to no more than 10 broad-based issues:

(1) **An Overview of the Plan, its Design and its Philosophy;**

(2) **Consumers in the New System;**

(3) **Cost Containment and Budgets;**

(4) **Savings, Costs and Financing;**

(5) **Small and Large Businesses in the New System;**

(6) **Health Care Providers in the New System;**

(7) **Federal/State Roles;**

(8) **The Elderly in the New System;**

(9) **Rural Communities and the New System; and**

(10) **Urban Communities, Underserved, and the New System.**

Issues such as Medicare, Medicaid, Veterans, Federal Employees Health Benefits, medical malpractice, anti-trust, quality, public health, benefits, etc. would be incorporated into the above mentioned categories. Special and more detailed briefings on these and the whole range of other issues would be provided to Administration representatives, Congressional Members and staff on an as-needed and requested basis.

TARGET THE BEST PERSONNEL TO MAKE PRESENTATIONS

Briefing Members of Congress always has the potential for great benefits, as well as great risks. The key is for Members to leave the presentations both impressed with the substance of the information given and the competence (and likability) of the presenters.

Included in the definition of a competent Congressional briefer is knowing -- going in -- what are the historic sensitivities of the Members present, in other words, to know what to say and how to say it and to know what not to say. If the personnel chosen meet these criteria, the benefits of these briefings are almost boundless. If, on the other hand, Members leave presentations with a sense that briefers are either incompetent, arrogant, condescending, and/or disrespectful, an effort with the best of intentions could well turn out to be a total disaster. All of this is to say that the personnel chosen for Congressional briefings is critically important.

Policy Expert Resources

Within the White House health care working groups and the Departments (in particular, HHS), the Administration has an impressive array of health care policy experts who could serve in briefing roles extremely well. (In most cases, Ira and Judy -- in particular -- have been, and likely will continue to be, very well received.) Having said this, the other briefers that we will need must be evaluated carefully -- keeping in mind not only how competent they are, but how well they will be received by different collections of Members. (We have prepared a tentative staff resource list linked to the ten topics previously mentioned, but it is undergoing final review by the White House and HHS -- Jerry Klepner's shop; in any event, it will be a continually updated list based on the briefers' performance and Congressional reception.)

Legislative/Policy Resources

We strongly advise that those most familiar with the Congress and their predilections -- the Administration's Legislative Affairs staff -- play a major role in briefing the Members and the staff on this issue. The White House and Departmental Legislative Affairs staff (particularly at HHS) have strong and long-standing relationships with the Members and staff that should be utilized to the benefit of the Administration's health reform effort.

At every briefing, there should be one Legislative Affairs Administration representative who has equal status to the policy presenter. This is absolutely necessary to best assure that no situation gets out of hand, that there is a politically sensitive individual always present, that there are careful notes of the meeting, and that responsive follow-up occurs.

ESTABLISH A STAFF AND SCHEDULING PROCESS

The scheduling of the university and other requested briefings should be coordinated out of the War Room. This work should be closely coordinated with the Department of Health and Human Services' Office of the Assistant Secretary for Legislation (and other Department ASLs as necessary). In addition, we should work closely with the House Democratic Caucus and the Senate Democratic Policy Committee to help coordinate topics, schedules, and rooms. The schedule of all briefings should be updated daily, provided to Steve Ricchetti/Melanne V./Chris J./Jerry K./Karen P., and announced at the morning Communications meeting.

To ensure that the briefing operation is a success requires an experienced and politically sensitive staff person who can work closely with the Congressional Leadership and Administration personnel in meeting the scheduling and substantive needs of the Members. We propose that Steve Edelstein take on this role (in addition to his other responsibilities) and work with Lori Davis and other staff at HHS to assist him. Depending on the volume of and desire for briefings, additional staff (perhaps a full-time intern who is mature and responsible) may be required.

PREPARE THE BRIEFING MATERIALS AND PRESENTATIONS

In order to ensure the delivery of a consistent, simple, understandable message, we need to prepare educational materials for the presenters in advance of the briefings that all staff can and should use. Educational materials should include charts, graphs, detailed outlines to guide presentations, questions and answers as appropriate. These materials and presentations should be user friendly and targeted to specific audiences.

Working with the initial approval of Ira and Judy, as well as the Legislative Affairs staff, Steve E. will assign one policy expert to each of the issues chosen for briefings to take the lead in preparing the substance of the briefing materials and their presentation. He will make certain that each presentation is finalized on time and in the best format possible. The Communications staff will review and edit the briefing materials for clarity, directness, and consistency of message.

The presentations will also be screened by Legislative Affairs staff to ensure that they meet the needs of the audience. (They will know who is attending because we propose to limit the size of each briefing to between 25-35 Members and have them signed up in advance of the briefing; we believe that such a small structure will best assure a less lecture-like atmosphere and better encourage a give and take constructive discussion.)

Each "class" will be structured to briefly outline the problem(s) with the current system, how the President's proposal addresses the problem(s) (if relatively non-controversial), and the rationale behind the Administration's proposal. The briefings will be designed to last no longer than 60 minutes: 20-30 minutes (at most) of presentation and 30-40 minutes for questions and answers. On an as needed basis, these classes will be repeated.

Substantive and detailed presentations about the most controversial policy recommendations -- if they are even available -- of the President's proposal should be avoided. There is great concern among the Congressional Leadership that controversial recommendations -- such as financing, exact cost containment mechanisms, etc. -- could lead to public and potentially problematic disclosure. Instead, the Majority Leaders have suggested that we detail the **options** we are considering to address the most challenging issues.

BRIEF AND TRAIN THE BRIEFERS

Communications staff will be needed to provide guidance to all briefers on how to orally deliver their presentations in an easily understandable manner. In addition, before each presentation, the Legislative Affairs staff from either the White House or the appropriate Department (usually Jerry Klepner's shop) will brief the presenters on who will be in the audience, what issues are particularly sensitive, what issues to highlight, and how best to present complex, potentially controversial materials.

DEVELOP A WORKABLE TIMETABLE

We need to make a final decision as to when it would be most appropriate and useful to commence the health care seminars. Senator Daschle originally envisioned the "classes" beginning after the legislation had been introduced. However, he and Majority Leader Gephardt (and we believe Majority Leader Mitchell) thinks it may well be advisable to begin to brief Members before the release to reinvigorate their desire to be involved in the health reform debate and to create a greater comfort level with what the Administration is doing in this area. We also need to determine when it would be most appropriate to incorporate Rebublicans into the briefings, i.e., would it be best immediately prior to or immediately after the President's unveiling of the plan?

If the President is going to unveil his package by not later than late September, the implementation of the start-up recommendations for the health care briefings must occur almost immediately. The following outlines a possible workplan timeline to help with tentative scheduling.

WORKPLAN TIMELINE

Activity	7/26	8/2- 8/30	9/6	9/13	9/20	9/27
Target Issues	¦-------¦					
Target Personnel	¦-----------¦					
Finalize Staffing	¦-------¦					
Prepare Briefing Materials		¦---------------------------------¦				
Brief the Briefers (on how best to communicate)		¦--------------------------------------¦				
Hone the Message		¦--------------------------------------¦				
CONGRESSIONAL BRIEFINGS					¦---------¦	

Michael: Attached are my comments/edits. In addition, as we have discussed, I think it would be helpful if these responses included a 2nd level of more detailed, specific answers for the more sophisticated audiences.
—Rima

HEALTH CARE REFORM:
QUESTION AND ANSWERS

Q: Will I still be able to choose my doctor?

A: Yes. You will always be able to choose your doctor. And every American will have the choice of a variety of health plans -- you can go to an HMO, join a network of doctors and hospitals, or continue to get care on a fee-for-service basis the way most people do now. It's your choice.

→ Explain what happens if you have 2 doctors in different plans or if 2 people in same family use different Drs. [illegible] plans.

Today, some businesses have limited people's choice of doctor in an effort to control costs. That won't happen under the Clinton plan. No boss will be able to tell you what doctor to go to or what health plan to join.

Q: If I have a good plan through my employer now, will the new plan be as good?

A: Your benefits package will cover at least as much as -- and probably more than -- the one you have now. It's modeled on the packages offered by Fortune 500 companies. And it's guaranteed, so your boss or insurance company can't take away your benefits or tell you to go read the fine print in your policy when you get sick.

~~Or your employee will se~~

Nobody will dictate to you what kind of plan you're on or where you have to go to get care. You choose where you get your care and how you get your care -- your boss or insurance company doesn't choose it for you.

Q: I like my health insurance. Why should I pay to insure others?

A: Like now, you'll be paying to insure yourself and you'll also be getting the peace of mind that, if you lose your job or get sick, you won't lose your insurance.

And remember: right now, you and your company are paying for the people who don't pay for their own health care. That's why you get charged $20 for a Tylenol when you go to the hospital. Because for every person like you who pays the bill, there's another person who will never see a bill -- and couldn't pay it if they did.

The Clinton plan asks everyone who can to contribute to their own insurance. What you pay will go to your health coverage and your health security -- so that you will never be in danger of losing your insurance.

→ May want to add a point or a question about availability of supplemental coverage for those who want more than the standard package.

May want to add that health care will be paid for exactly like it is paid for today: through private insurance premiums, with gov't assistance for low-income people. Except that the growth in costs will be reduced under the Clinton plan

employers + their employees pay for their own insurance

Q: Will the new health system mean that I have to pay higher taxes? How will this reform be paid for?

A: Some people advised us to impose a new, broad-based tax -- such as a national sales tax -- to pay for health care reform. But the President rejected that advice because he believes the middle class is already paying its fair share.

Here's how the plan provides health security to American families: First, it cracks down on the health profiteers who make a killing off the current system. Next, it asks smokers to pay to make up for the high health costs they add to the system.

And finally, it asks every employer and worker to contribute to the cost of their health care. But the money will go to their health plan to provide comprehensive benefits and health security -- the guarantee that you will never lose your insurance. And the government won't collect or spend the money.

Q: How are you going to control costs?

A: Right now, what you're charged for health care is spiraling out of control. Insurance companies are raising your premiums; drug companies are charging high prices for basic prescription drugs; and unnecessary paperwork and fraud are sending the costs of the whole system through the roof.
The average family is spending over $7,000 on premiums, health taxes, + out of pocket expenditures. They will spend $14,000 by year 2000.

The Clinton plan will stop all that. It will make sure that what you're charged stops rising four times faster than wages. And it will crack down on fraud and eliminate excess paperwork.

Only if we take these strong actions to control costs can we provide true peace of mind and security to all Americans.

Q: Won't quality be sacrificed for the sake of cost savings in the new system?

A: Absolutely not. That's just an old scare tactic from the special interests that profit from the status quo.

The Clinton plan will improve the quality of American health care. Under the Clinton plan, the best technologies in the world will be put to work for you. There will be more primary care doctors and nurses to give care. And there will be a simple consumer report card -- so that doctors and hospitals are held accountable based on results, not on how many forms they fill out.

Most important, the Clinton plan will give American families the security that they will never lose their insurance.

Could mention folding in health component of worker's comp. + auto insur. as a sweetne

Q: Won't this plan kill small business?

A: No, it's today's high cost of health care that's already killing small business. Today, insurance companies either won't cover small businesses and their employees or charge them high premiums that put insurance out of reach. Anyone who has the initiative to start a small business shouldn't have to put their family's health security at risk. It's not right.

The Clinton plan will help and protect small business in three ways: First, it will aggressively control costs and prevent insurance companies from discriminating against small businesses. Second, it will eliminate the paperwork that each small business now has to deal with. And third, it will pool small businesses and individuals to give them the same bargaining power in buying insurance that big companies have.

The plan will be gradually phased-in, with government assistance, to ensure that small businesses that don't currently provide insurance can afford to cover their employees.

Q: Won't this plan cause massive job loss among small businesses?

A: No, although there is likely to be a shift in jobs in the health care industry. When the new system is up and running, more people will be directly giving health care and fewer people will be filling out forms.

The Clinton plan is designed to help and protect small business -- making it easier for small business owners to cover their families and employees. And the plan will be gradually phased-in, with government assistance, to ensure that small businesses that don't currently provide insurance can afford to cover their employees.

The "studies" on potential job loss resulting from health care reform are grossly exaggerated. They make faulty assumptions and were generated by groups ideologically opposed to the President's reform proposal.

Q: What will happen to businesses that provide insurance? Will their costs go up?

A: For ~~many~~ Most businesses, costs will actually go down. And over time, by getting health costs under control, we'll stop the chilling effect that exploding health care costs have on businesses.

Right now, businesses that cover their employees are paying for those that don't. That's not fair. The Clinton plan is based on fairness and responsibility. Every employer has to take responsibility for covering their employees -- giving them the security that they will never lose their insurance.

Q: **Will insurance companies be able to deny me coverage if I have a pre-existing condition?**

No. Right now, insurance companies can refuse to cover you if your daughter has asthma or if you're diagnosed with a heart condition -- and they do it all the time. Under the Clinton plan, that can't happen. Insurance companies will have to accept you -- whether you're healthy or sick. And you'll have the security of knowing that no one can ever take that insurance away from you.

Q: **Will I still have my health insurance if I switch jobs?**

many/millions of (or cite stats)

A: Absolutely. Right now, ~~some~~ workers are locked into their job because they fear losing their benefits. If they do switch jobs or lose their job, they place their family's financial and health security at risk. That's not right. It's got to change -- and it will.

The Clinton plan gives you the security that you will never lose your insurance. If you switch jobs, you keep your insurance. If you lose your job, you're still covered. Complete security -- no ifs, ands or buts.

Q: **Won't these "health allliances" create more bureaucracy and paperwork?**

A: No. Right now, if you own the corner grocery store, you've got to spend half your time doing paperwork and negotiating with insurance companies. The health alliances will replace all that hassle.

The Clinton plan allows businesses and individuals to team up in health alliances and negotiate for high-quality care at an affordable price -- so that you and your family can have a full range of health care choices -- without every person and every business going through the hassle of all that paperwork.

Q. → don't concede the pt. that gov't will be involved in health care under Clinton plan

Q: **Won't government involvement in health care just mean more paperwork for everybody?**

this plan keeps health care financing + delivery in the private sector + will reduce gov't's micromgt. of our system

A: No. Right now, doctors, nurses and patients are buried under a blizzard of paperwork. If you go to the doctor, you've got to fill out a bunch of different forms; and the doctor's got to fill out a bunch more. It's a waste of everybody's time and money.

The Clinton plan will take all the forms offered by the 1500 different insurance companies and turn them into one. We'll cut costs and eliminate all the hassle. There will be less paperwork -- and better health care.

Q who will run these health alliances? or
Q will I have a say in the decisions my HA makes

Q: **I don't believe you. The government's going to be <u>more</u> involved in health care but there will be less micromanagement of doctors and hospitals?**

A: That's right. In the current system, doctors and hospitals have to pass a lot of different inspections and fill out a lot of different forms. But none of it does very much to improve the quality of care.

Under the Clinton plan, the government will set standards -- high quality, choice of health plans and doctor, security that you'll never lose your insurance, controlled costs, universal coverage and reduced bureaucracy. The government is going to provide you with security and make sure you get safe care -- but then get out of the way. But the gov't will not run the health care system

Q: **Why are we changing so much about health care?**

A: Right now millions of American families live in fear of losing their insurance, getting some of their benefits taken away, or getting sick and stuck with an astronomical bill. The Clinton plan will provide American families with the security they deserve.

We've had too many studies, reports and commissions. We know the system's broke -- it's time to fix it. And only comprehensive reform can fix what's wrong.

The Clinton plan will keep what works -- we'll improve the quality of care and maintain your right to choose a doctor. If you like your health care now, you probably won't see much day to day change after reform.

But the system has got to change. Today the insurance companies have all the power. They pick and choose among consumers -- only covering healthy people and making a healthy profit. The Clinton plan will put consumers in the drivers' seat so that consumers get to pick and choose -- not insurance companies.

Q: Some hospitals specialize in certain types of care (i.e., shock trauma). What will happen to these hospitals?

Q: I've heard there will be a government-set budget for health care. Won't this lead to rationing of care, and long waiting lists for treatment?

Q: Isn't it true that managed competition is untested?

A: The Clinton plan is not managed competition. It draws on elements of many different ideas that have been put forward to reform our health care system.

It will draw on the best models -- at work today in communities all across America and states -- because what works in North Dakota won't work in New York. The plan will be a uniquely American solution to an American problem.

The plan is based on the following principles: providing security for American families; controlling skyrocketing costs; improving the quality of care; increasing choice of doctors and health plans; and simplifying the system.

Q: What are we going to do to get doctors into rural areas? How can "managed competition" work in places where there is no competition?

A: Right now, two-thirds of rural counties do not have enough doctors. It's no wonder. Rural doctors provide more charity care than any doctors in the country, and they often get paid late. In many cases, rural doctors can't even take a day off because there isn't another doctor for miles around.

The plan will include incentives for doctors to practice in rural areas, and it will help break the isolation of rural doctors by encouraging networks with regional medical centers, hospitals and other doctors.

Q: How will this reform help people that live in cities get high-quality care?

A: First, by providing a comprehensive benefits package to all Americans that emphasizes primary and preventive care. In today's system, too many Americans end up in the emergency room because they didn't get the primary care they needed. That's not right, it costs the system too much money, and we're going to change it.

And second, it will increase the number of doctors in urban areas by providing incentives for doctors to practice in cities and expanding the National Health Service Corps to reach more people in cities.

And it will give rural residents the market power they so rarely have to purchase cost-effective coverage + band together (through Health Alliances) to improve the quality of and access to care in rural areas

Q: Will physicians be able to practice as they do now -- or will Big Brother look over their shoulder?

A: Let's get one thing straight. Under the current system, doctors have too many people looking over their shoulders, second-guessing their professional judgement. And over the past twelve years, increased regulation by the government has meant more time filling out forms and less time caring for patients.

The Clinton plan will change that. It will create a single insurance form -- so doctors don't have to figure out the thousands of different forms used by over 1,500 different insurance companies today. It will simplify peer review and coordinate inspections.

It will protect Americans' health safety and make sure you get the best care possible, but stop Washington from micromanaging doctors. So that doctors will be freed up to do what they do best -- deliver the highest quality care in the world.

Q: Will this plan do anything about all those crazy lawsuits?

A: Yes, it will. In the current system, doctors are forced to spend too much time practicing "defensive medicine" -- performing extra tests because they're looking over their shoulders for lawyers. It's not helping to improve care -- but it is helping to drive doctors out of the profession and make costs go sky-high.

The Clinton plan will include serious malpractice reform that protects doctors and patients but reduces frivolous lawsuits. And it will let doctors return to what they were trained to do -- delivering the highest quality of care in the world.

Q: Will the new system reduce doctors' independence and force them into a group practice or HMO?

A: No. Doctors will be able to continue their private practice, enter a group practice, join a network of doctors and hospitals or enter into several different arrangements. It's up to each doctor.

Q: Will I be able to stay on Medicare?

A: Yes. Older Americans will still be able to receive their Medicare benefits as they do today.

In fact, Medicare beneficiaries are likely to have more choices after reform -- they can continue to get care the way they do today or they may be able to get their Medicare benefits through different health plans offered under the new system.

→ New Rx benefits

Q: Medicare has the most bureaucracy and red tape in our current health system. If the President's plan retains Medicare, how is the new system going to reduce my paperwork and hassles?

A: The current system is choking on paper. Forms breed more forms. Checkers check checkers who check checkers. Doctors and nurses spend more time with paper than patients; and the quality of care suffers as a result.

The Clinton plan will introduce a single insurance form to replace the thousands of different forms used by over 1,500 different insurance companies today. To reduce some of the difficulties posed by the Medicare program, peer review will be simplified and inspections coordinated. And the Clinton proposal reduces micromanagement of doctors.

Q: How can you have a comprehensive health reform package that doesn't comprehensively cover long-term care?

A: This plan will take the biggest step forward ever to address the need for long-term care. Today, families all over this country live with the constant fear that they're not going to be able to take care of their parents when they get older. And those with severe disabilities face tremendous financial troubles.

the kind of care people have the least access to now

The Clinton plan takes vast strides toward covering home- and community-based care with a special emphasis on creating ways for older Americans to continue to live in their own home and communities with dignity and independence. And it gives you the security that your parents or relatives with disabilities will get the care they need as they grow older.

Q: Won't your plan lead to job losses in the insurance industry?

A: Health insurance remains a small piece of the insurance industry. Efficient insurance companies are likely to do well and are likely to go into the business of running health plans. Others will put a greater emphasis on other kinds of insurance.

Looking at the health care industry as a whole, there will be a shift in jobs. More people will be directly giving care, and fewer people will be filling out forms.

Q: Will the plan cover undocumented immigrants?

A: No. Only American citizens and other legal residents will be able to get the comprehensive benefits package. But undocumented residents that currently receive coverage under community-based programs and Medicaid will continue to do so.

Q what about hospitals + doctors who already provide free care to undoc. immigrants? Will they

Q: **When is the President going to release his plan?**

A: The American people demanded action on health care in the 1992 election, and the President is committed to passing health care reform this year. He is still consulting with members of Congress and others on eaxactly when to introduce his plan.

Q: **I heard this plan was cooked up by a bunch of government bureaucrats. Why weren't there doctors involved?**

A: More than 100 doctors, nurses and other health professionals were involved with the President's Task Force on Health Care. But the professional lobbyists did not write the legislation. That's why you heard complaints from some of the special interests in Washington.

The Task Force effort was the most thorough and inclusive policy-making process in American history. The process directly involved more than 500 people from all over the country. And Mrs. Clinton, the Task Force, and other members of the Administration reached out to over 500 groups for advice and input.

Q What will happen to the VA, IHS, + DoD health care?

Q: What about coverage for abortions?

Suggested Q & As for Health Care Reform

We think that the answers provided to questions on the (1) "impact of the plan on small businesses" and (2) "job losses among small businesses" should include language about Hawaii's experience.

We suggest the following language:

Won't this plan kill small business?

Hawaii's plan, the Prepaid Healthcare Act, requires all businesses to contribute to the cost of their employees' health insurance. There is no evidence that Hawaii's employer mandate, in place since 1974, killed small businesses. In fact, in 1991, Hawaii was the nation's third-fastest-growing state for small businesses.

Won't this plan cause massive job loss among small businesses?

Hawaii's experience in requiring all businesses to contribute to the cost of their employees' health insurance is instructive. Since Hawaii's program began in 1974, there has been no evidence that it resulted in massive job loss, among small or large businesses. In fact, Hawaii's unemployment rates are consistently among the lowest in the country.

The following are two suggested questions for inclusion in the package.

Q. Because I am disabled, Medicaid pays for my health care right now. How will I be affected? Will I still have access to doctors who know and understand my needs?

Q. I work in a hospital laboratory and my sister works in a doctor's office. If hospitals and doctors receive less money under the plan, won't we lose our jobs? How will all the changes made by the plan affect us at work?

DATE: July 22, 1993
TO: Chris Jennings
FROM: Andie King
RE: suggested revisions of Q&A, strengths document, etc

Q&A

1. Q2 good plan through employer now...

I still question the "probably more than" -- please don't over-promise

2. Q4 higher taxes...

the second paragraph is very problematic. First: What is being suggested about the health care profiteers? Is this cost containment? If so, maybe you should use the word "savings" at some point (Reconciliation allowing) Second: my understanding is that the tobacco tax is being pegged for the "long term care" piece -- not for the costs smokers add to the system

3. Q8 job loss...

the first paragraph, about the health care industry, should be either deleted or moved to the end. Further, while it is true that the plan is designed to increase primary care providers and will decrease clerical/administrative (and other) jobs, it is really stretching it to suggest (as this paragraph does, I believe) that claims processors will retrain into physicians assistants in appreciable numbers

4. Q12 more bureaucracy...

Don't you want to mention form simplification here as well?

5. Q15 changing so much...

I assume your people are already re-doing this

6. Q17 managed competition in rural areas...

I think you need more about "we won't try to do managed competition in rural areas"

7. Q23 Medicare bureaucracy...

tone down both the Q and the A

8. Q25 job losses...

again, the second paragraph is questionable -- I suggest just dropping it

9. Q26 when...

"this Fall; soon..." I would advice against raising the "passage this year" issue -- and I would also avoid getting in stone on a specific date or even week

10. topics for additional Q&A:

-- effect on veterans
-- effect on Native Americans
-- isn't this thing too complex...
-- how can you hit Medicare and Medicaid again after what you did to them in Reconciliation
-- impact on collective bargaining

Strengths

Dick has two general comments about the "Strengths" document:

1. It should be supplemented by a much shorter list of points, probably the security, savings, simplicity litany -- and this piece should come first

2. He does not think we should lead with rhetoric about "the system" -- but rather talk about families and individuals. "Getting the system under control" is a means to an end: achieving the goal of "health care that's always there" for every American.

3. For the rest of it, I think the various subpoints (the lettered items) would be better organized around the security, savings, simplicity themes.

Other material

1. one of our Members asked Judy if she could provide a written version of her overview. Let's talk about this.

2. the small business piece would be useful.

- HRC ~~[illegible]~~ Mandy Grunwald

- Attack

- Opposition Research

- Forum[illegible] - [illegible] [illegible] them while

updating (Members Briefing ~~[illegible]~~ book) [illegible]

Leadership staff [illegible]

update

Briefings at [illegible]

S-224

HC8

DRAFT July 26, 1993 DRAFT

The Honorable David Pryor
Chairman
U.S. Senate Special Committee on Aging
SD-G31
Washington, D.C. 20510-6400

Dear David:

Thank you so much for advising us of your priorities with regard to pharmaceutical coverage and cost containment issues. As you well know, I greatly appreciate your guidance on all matters. However, having the benefit of your years of experience on the many complex issues regarding pharmaceuticals is particularly helpful.

David, because the cost estimates for all the various elements of the health reform package have not yet been finalized, the President has not made final decisions on all the issues related to prescription drugs. Having said this, I would like to take this opportunity to outline for you, on a confidential basis, my sense of where the elements of the proposal related to pharmaceuticals are likely to go.

Prescription Drug Costs and Managed Competition

We believe that the negotiating practices utilized most frequently by managed care purchasers have great potential to contain escalating prescription drug prices. In recent years, we have witnessed the new found ability of these purchasers (primarily hospitals and HMOs) to obtain more reasonable prices by negotiating and managing costs with formularies, prior authorization requirements, physician and consumer education programs, drug use review, and other techniques.

While managed care purchasers have been able to generally contain their pharmaceutical cost increases, they have not had success in managing the costs of new drugs that have no therapeutic alternative. Moreover, it is likely to take several years before pharmaceutical purchasing that utilizes managed competition techniques will be developed sufficiently enough to buy and manage the costs of prescription drugs for all Americans.

As a result, it has become clear that we must develop an interim and a long-term pharmaceutical cost containment strategy. Moreover, to ever have a realistic chance to contain these costs, it has become evident that we will have to assure that all Americans have private or public coverage for prescription drugs.

Prescription Drug Coverage

It is our belief that providing prescription drug coverage for all Americans is essential to assuring that everyone has access to affordable and frequently cost-effective medications. It is our hope and expectation that there will be a Medicare prescription drug benefit that parallels the coverage that we will require all Americans under the age of 65 to receive. We share your belief that all Americans, particularly the elderly, are in desperate need of protection from the high costs of pharmaceuticals. While we have not finalized exactly what the cost sharing components will be, we do believe it will be at or close to your suggestion of a $250 deductible and a 20 percent copayment.

Interim Cost Containment Strategy

Under any scenario, consumers will need to be protected from price increases over the inflation rate until there is much greater coverage of prescription drugs and there is a widespread ability -- using managed competition methods -- to negotiate on behalf of consumers. We are, therefore, now considering accepting the offer of many in the pharmaceutical industry to voluntarily constrain their prices to the general inflation rate. Consistent with your recommendations, this policy would assure that retail purchasers would have the same inflation protections as everyone else. The voluntary agreements would be enforced through the use of a fall-back mechanism that would only be initiated if the companies did not sign an agreement in the first place OR signed one but did not comply.

Cost Containment for Under-65 Population

The short-term cost containment provisions that we are contemplating will help assure that the under-65 population will not be subjected to significant price increases for pharmacueticals now on the market. Moreover, the growing movement towards managed competition purchasing principles should achieve substantial savings as well. However, we share your concern about the potential for a continuation -- or even escalation -- of the trend of excessively high prices for new drugs, particularly those that have no therapeutic alternative.

With the above in mind, we believe it is advisable to direct that the National Health Care Board envisioned in our current draft be charged with reviewing the prices of new pharmaceuticals. While the Board would not have the authority to regulate or set prices, it would have the responsibility for evaluating the cost effectiveness and therapeutic value of new medications. In undertaking this responsibility, the Board would then be required to disseminate information to both public and private purchasers of prescription drugs.

Cost Containment for the Medicare Program

No Medicare benefit can be established without a realistic and serious cost containment component. No one knows this better than you. We anticipate that the Medicare cost containment provisions will meet with your approval, since they are very close to your recommendations.

More specifically, since the Medicare program would become the world's largest single purchaser of prescription drugs, we believe the program merits a reasonable price. To achieve this, we believe that Medicare should receive a discount that is at, or close to, the percentage discount that the Medicaid and other public programs are now receiving. Moreover, to assure that excessively priced new drugs do not bankrupt the Treasury, we believe it is advisable to provide the Secretary of Health and Human Services the authority to negotiate Medicare drug prices with manufacturers. Lastly, I believe we should provide incentives for greater use of generic drugs and for more widespread use of patient and physician counseling.

Equitable Treatment of Pharmacists

Finally, it has become clear that community pharmacists are having great difficulty in accessing the degree of discounts that other purchasers have achieved. It remains unclear to us exactly why this is the case. The retail pharmacists argue that it is blatant discrimination by the pharmaceutical manufacturers; the HMOs and hospitals say they earn these discounts because they can push volume in ways the retail pharmacists -- with few exceptions -- have not yet been able to master.

We have been working for months on this complex and controversial issue. It is our hope to find a policy approach that assures that no one receives a particular discount just because they are one particular purchaser or another. We want to make certain that discounts are given to those who earn them. In the upcoming days and weeks, we will be working closely with your and other offices to attempt to find a way to achieve this goal.

David, the contributions of you and your staff to the pharmaceutical coverage and cost containment policy we are developing have been invaluable. It is my hope and expectation that after reviewing this letter you will conclude that we are meeting your policy priorities. However, if you have any questions, concerns or further suggestions, I urge you to give me a call. Once again, thank you for all of your assistance.

Sincerely,

HRC

MEMORANDUM

TO: Howard Paster

FROM: Steve Ricchetti

DATE: July 21, 1993

RE: Health Care Reform

You asked for a report on the status of the health care reform effort in the House and Senate. Substantial progress has been made over the last two months in preparing the Congress for introduction of our proposal and I believe there is an expectation that we will be ready to move forward shortly after Labor Day.

You are aware of the enormous public attention on the process of developing the initiative for the President. Each press leak on the substantive direction of the plan has precipitated a Congressional response from some side of the policy debate. Although it has been an unfortunate and distracting element of this process, it has in some ways helped clarify our situation with respect to Congress. We do know where many members stand on the outlines of our plan and we have been able to anticipate potential problems.

The President has hosted a series of consultative meetings and dinners with the Congressional Leadership on health care, with Members of both parties.

To date, the First Lady has held approximately one hundred meetings with Members or groups of Members, including all relevant committees and the caucuses with particular interest in health care (CBC, CHC, Women's Caucus, Mainstream Forum, etc.)

In addition, during the course of the last four months, Ira and Judy have led numerous substantive discussions at regular Senate DPC meetings, Democratic House Caucus sessions, and weekly House Republican Health Task Force meetings. Senate Republican consultation in groups has been less extensive, principally because Dole and Chafee have declined numerous invitations to engage in such discussions. However, many Members have been consulted individually and we certainly have a strong sense of where most Republicans Senate Members want to go.

You should also know that for the past six weeks, weekly joint House and Senate message meetings have also been held to determine the best way to roll out the health care initiative.

I believe this extensive level of Congressional consultation has been a virtue, but it has also produced a level of understanding about the direction we are going which inspires debate, criticism and concern. Absorbing and accommodating the Congressional reaction to our plan now will help in the long run but it has slowed down the internal decision making process. I think it is imperative that we make final judgements about the plan very soon after Reconciliation is concluded - before our logical opponents mobilize and head to the hill - or we will risk launching a program which will be crippled before we start.

Substantively, I believe there are only a few issues to work out internally before we will be ready to introduce the major elements of our plan (if not the bill itself). They are, however, contentious issues and ones which have troubled those who favor health reform for years.

I have strong concerns about an Administration decision to delay introducing health care any longer than mid-September, which we can discuss at our meeting. Strategically, I believe postponing action will make completing a health reform initiative very difficult before November 1994. Politically, I believe inaction will spell disaster for us, particularly on the Senate side.

DETERMINED TO BE AN ADMINISTRATIVE MARKING Per E.O. 12958 as amended, Sec. 3.2 (c)
Initials: [illegible] Date: 8·15·05

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Jeff Eller July 20, 1993
FR: Chris Jennings, Steve Edelstein
RE: Fight Strategy
cc: Melanne, Steve, Distribution

For the most part, our opponents on the Hill will tend to be the most extreme elements of the Republican Party. Senator Phil Gramm of Texas is already leading a faction of conservative Republican Senators who are not prepared to go as far as Senator Chafee and the Republican Health Task Force.

The conservatives' proposal is built around such popular measures as insurance market reform, malpractice reform, and cutting administrative red tape. To expand coverage, they would rely on tax credits and medical IRAs. Noticeably absent are cost controls and universal coverage, the two aspects of reform that require the most difficult choices. They will try to portray our proposal as too expensive, harmful to American business and the economy, over-reliant on government regulation, and limiting physician choice and rationing care.

On the House side, the vocal and aggressive Gringrich-Armey faction can be expected to take a similar tack, although they have been less vocal to date.

These Members of Congress will work in concert with outside groups such as NFIB, HIAA and others to raise fears about the Administration's plan. As a result, our efforts against them tie into our whole message strategy for our plan. We must be able to counter the various attacks they will make against us. To do that, we will need to develop the best counter arguments possible.

For an example of what we will be up against, attached is a set of talking points prepared by the Senate Republican Policy Committee dated May 27th. They are already making the arguments that they can be expected to make with more intensity and vigor once our plan is revealed.