Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	ChrisJennings to Hillary Clinton Re: Wednesady Congressional Message Group Meeting (2 pages)	11/9/93	P5
002. memo	Chris Jennings to Hillary Clinton Re: Meetings with Senators Conrad and Harkin (1 page)	11/22/93	P5

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23754

FOLDER TITLE:
November 1993 HSA [1]

gf111

RESTRICTION CODES

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

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

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

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

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

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This marker identifies the original location of the withdrawn item listed above. For a complete list of items withdrawn from this folder, see the Withdrawal/Redaction Sheet at the front of the folder.

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November 12, 1993

AMERICAN SOCIETY OF CONSULTANT PHARMACISTS SATELLITE FEED

DATE: November 13, 1993
LOCATION: OEOB Room 459
TIME: 3:15 pm
FROM: Kim Tilley, Amy Nemko

I. PURPOSE

To deliver remarks to the American Society of Consultant Pharmacists' 24th Annual Meeting and Exhibition that will close the General Session.

II. BACKGROUND

American Society of Consultant Pharmacists

The American Society of Consultant Pharmacists (ASCP) is the national professional society representing more than 5,600 pharmacists who provide pharmacy and consultant services in a wide variety of health care settings -- nursing homes, home health care, prisons and jails, mental institutions, hospices, and other long term care institutions and organizations. The Society represents ASCP before Congress and various federal regulatory agencies including FDA, OSHA, and HCFA. (ASCP defines a "consultant pharmacist" as a pharmacist who follows a medication order from its point of origin until it is administered to the patient, providing drug distribution and monitoring systems to ensure that this process is efficient, rational, safe, and cost effective. The term "consultant pharmacist" was coined by George Archambault, who is sometimes referred to as the "founder" of consultant pharmacy.) ASCP is a member of the Coalition on Consumer Access to Pharmaceutical Care (CCAPC).

History of ASCP

Founded in 1969, the Society began with 100 charter members who succeeded in both defining medication policy and procedures of nursing facilities and in setting standards of performance for the emerging consultant pharmacy profession. In October 1992, ASCP moved into their own newly purchased headquarters building in Old Town Alexandria, Virginia.

Costs of Pharmaceutical Misuse (source: Tim Webster, Executive Director, ASCP)

- Medication-related problems, such as noncompliance by patients, is responsible for an estimated 10% of all hospital admissions and 23% of all nursing home admissions;
- Failure to fill or refill prescriptions has resulted in an estimated cost of $8.5 billion for increased hospital admissions and physician visits -- nearly 1% of the country's total health care expenditures;

- Drug interactions and adverse drug reactions are said to account for about 7% of all hospitalizations, yet about 70% of adverse effects are predictable and preventable through logical application of existing information;
- A recent study of medication errors and pharmacist intervention conducted in community pharmacies found that over one-fourth of medication errors identified and corrected by pharmacists could have resulted in harm to the patient. The direct cost of medical care that was avoided as a result of pharmacists' interventions was estimated to be $123 per problematic prescription.

Position on Health Care Reform

ASCP supports efforts to reform the health care system. Specifically, ASCP supports the inclusion of pharmaceutical products and care as a core benefit in a reformed health care system, as they strongly believe that these medications and services can generate significant savings and better patient outcomes. (This group does not want to hear about preferential pricing since they already have access to special pricing, and is concerned that the plan does not specifically address professional services.)

Previous Involvement

- ASCP representatives met with Judy Feder and Chris Jennings on January 13, 1993;
- CCAPC members participated in Task Force discussions and meetings on March 29 and April 9.

[NOTE: Percy Mallone is a member of the American Society of Consultant Pharmacists, and wrote you a letter requesting that you do this event. Copy of letter follows.]

III. PARTICIPANTS

Approximately 3,800 expected to attend conference.

IV. SEQUENCE OF EVENTS

- Intro'd by Percy Mallone;
- HRC remarks (10 mins).

V. PRESS PLAN

Open press at New Orleans Convention Center.

VI. REMARKS

Remarks provided by Alexandra Robert, and will be on Teleprompter.

ASCP members were very enthusiastic about your address to the National Association of Chain Drug Stores. Attendees will be interested in how a reformed health care system will affect long-term care pharmacy, specifically your views on equal access for purchasers to pharmaceutical discounts and the proposed Medicare drug benefit.

Hillary Rodham Clinton
Remarks for American Association of Consultant Pharmacists
13 November, 1993

Acknowledgements
And thank all of you for inviting me to take part in your convention. I am delighted to be able to talk to you this afternoon about our shared concern for bringing health care security to all Americans and for slowing the march of health care costs that are spiraling out of control.

It gives me added pleasure to speak to all of you today because I believe that each of us brings a unique perspective to the issue of health care reform. Some of my best times in Arkansas (aside from those spent with Percy and Donna) were as a member of the board of the Arkansas Children's Hospital. It was my tenure as a board member that brought to the forefront for me, personally, many of the issues that I now look at from the perspective of national reform. I know that your own work with people in long-term care facilities forces you to confront these same issues. You are on the front line of health care and often know better than others that change is needed.

Year after year, pharmacists are ranked the most trusted professionals. This is not surprising since they--you-- are often the first to know that a patient is not feeling well or is having a problem with their medications. You interact with physicians to alert them to these problems and help detect and avert medication difficulties. The pharmacist is often the most accessible health care professional in the whole health care system. And pharmacy is certainly one of the most efficient providers in the entire health care system

A recent study of medication errors and pharmacist intervention conducted in community pharmacies found that over one-fourth of medication errors identified and corrected by pharmacists could have resulted in harm to the patient. As a result of pharmacist's interventions, the direct cost of medical care that was avoided was estimated to be $123 per problematic prescription.

You have made a commitment to delivering the best possible care, to administering the best and most cost effective drug therapies to every single one of your patients. In fulfilling all of your roles as a consultant pharmacist-- in being a provider, a management expert, an educator and a drug information resource--you illustrate that high quality care can be cost-effective.

The President and I applaud your commitment and we share it. As you all know, the President recently presented the National Health Security Act to Congress. This plan is an historic opportunity to provide health security to every American, to guarantee their choice of doctors, to give them a comprehensive benefits package that emphasizes preventative care, to do it in an affordable way which guarantees quality and asks everybody to be responsible for themselves and their health care.

We share your belief that pharmaceutical products and care should be included as a core benefit. We understand that these medications and services can improve patient outcomes and generate significant savings.

We know that as things stand now many local community pharmacists are getting hit from all sides-- mail order, dispensing physicians, third-party programs-- while the drug industry continues to rack up record breaking profit. The retail sector is just barely getting by.

Under the President's health care reform package, we will level the playing field. We will ensure that discounts are given for true economic reasons. So it won't matter if you are an HMO, pharmacy or a hospital. If you produce the same economic advantages to the manufacturer, you will get the same discount. (Long-term care providers would still have the ability to use formularies and therapeutic substitution as a basis for negotiating discounts. ***check on this)***

The President's plan will also have a Medicare drug benefit and a universal prescription drug program. This means that more Americans, but particularly older Americans, will be able to have their medication needs met. I know that many of you are involved in caring for the elderly and I want to recognize the value of pharmacists under Medicare for their counselling and talking to many patients and for the development of innovative programs.

Now many in our country see health reform as a threat. But for pharmacy, it is an extraordinary opportunity. Pharmacists are essential in helping to control drug expenditures and assuring that patients receive the best medicine at the lowest cost. I predict that health care plans will be turning to (consultant) pharmacists to help them manage their overall drug budgets.

In order to make this reform happen and reform successful, we need your help. As trusted health professionals, you are essential to the process. We must join together and fight for the changes we need for our businesses, our communities, and for our country.

There are no easy fixes to the health care problems that confront us. If there were they would have been agreed upon a long time ago. But there are answers. You have helped us to work through some of those answers that will directly impact on pharmacy and the provision of long-term pharmaceutical care. You have helped us to understand clearly the role that you now play and the enhanced role that we see you playing in a system that delivers care more efficiently to all Americans.

We have heard and heeded the counsel that you and your representatives have given us. We have incorporated your suggestions into the Health Security Act. Now we need you to stand with all professionals and all consumers who know that the time for change is now.

Our struggle for health care reform, to do on a national level what you all do every day-- take care of the most vulnerable members of our population-- is just beginning. And the struggle will be long and hard. But when people begin to talk in abstractions, when they begin to talk about problems and obstacles, each of you, with all the patients you have seen and taken care of, can respond and give specific examples of people whose lives will be better when we, as a nation, finally fulfill our commitment to their health care by passing the Health Security Act in 1994. With your help, we can make that happen.

MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings
RE: Non-technical changes to bill
cc: Melanne, Steve, Distribution

November 19, 1993

Following up on our conversation I have attached for your review a rough draft of the non-technical changes document that will be transmitted to Majority Leaders' Mitchell and Gephardt. Although we are going to downplay the significance of the introduction of the bill and any changes, there is no question that there will be extreme interest in this document from the Congress, the media, and the interest groups.

If you have any questions or concerns about the attached, Greg L. can be reached through the White House (Beeper 4469) or at home at (301) 657-4342.

Like you, I will be out of town tomorrow, but I have arranged for us to do a bill swap with Senator Chafee's office before COB on Saturday. I have already talked with Ira about getting the Chafee and other relevant bills over to OMB and Treasury to do analysis on a fast track basis. He agrees that this is extremely important and will follow-up as soon as possible.

Talk to you soon. Have fun at Disney!!!

OFFICE OF THE VICE PRESIDENT

WASHINGTON

MEMORANDUM

TO: Chris Jennings
Howard Pastor
Goody Marshall
Christine Varney

FROM: Madeline Blinder and Sue Greenberg
Tipper Gore's Office (phone # 456-6640)

RE: Congressional/Cabinet Spouse Health Care Briefing
(November 17, 1993)

DATE: November 5, 1993

In response to the bipartisan interest shown in the President's Health Security Plan, the First Lady and Tipper Gore will hold a health care briefing for Congressional and Cabinet spouses.

Enclosed are the plans for the program to date. If you have any questions or comments, please let us know. Thank you.

Attachments: Draft Invitation
Tentative Program
Letter to Senate Colleagues

cc: Melanne Verveer
Patti Solis
Skila Harris

TENTATIVE PROGRAM

Congressional and Cabinet Spouse Health Care Briefing

Date: Wednesday, November 17, 1993

Location: 902 Hart Senate Office Building

Time: 9:30 - 11:30 a.m

Guests: All Congressional and Cabinet Spouses (approximately 550)

Purpose: To provide a briefing on the Health Security Plan

PROGRAM:

Sylvia Panetta

Welcome and Introduction of Mrs. Gore by Moderator (to be determined) (2 minutes)

Mrs. Gore gives Remarks (10-15 minutes) and Introduces Mrs. Clinton

Mrs. Clinton gives Remarks (20-30 minutes)

Q & A (15 minutes with moderator to be determined)

Mix and Mingle with Guests (20 minutes)

THE WHITE HOUSE

WASHINGTON

November 4, 1993

Ms. Mary Jane Doe
1234 5th Street
Somewhere, USA

Dear Mary Jane:

It is our pleasure to invite you to a briefing for Congressional and Cabinet spouses on the President's health security plan. The briefing will be at 9:30 a.m. on Wednesday, November 17, 1993, in Room 902 of the Hart Senate Office Building.

As you know, the Health Security Act was presented to Congress last week. During the weeks and months of our work on the health care task force, many of you expressed a strong interest in the specifics of health care reform. Your enthusiasm and your interest in advancing health security to all Americans have been most gratifying to us.

Please call (202) 456-7077 if you plan to attend. We hope you will join us and we look forward to seeing you.

Sincerely,

Hillary Rodham Clinton

Hillary Rodham Clinton

Tipper Gore

Tipper Gore

United States Senate

WASHINGTON, DC 20510

November 1, 1993

Dear Colleague:

In a few weeks, President Clinton's Health Security Act will be introduced in the House and Senate. Many of members have expressed an interest on behalf of their spouses that a briefing be scheduled to ensure that everyone have an opportunity to learn about and discuss the proposal.

We are pleased to let you know that on November 17, 1993 at ~~10:00~~ 9:30 a.m. to 11:30 in 902 Senate Hart Building, First Lady Hillary Rodham Clinton and ~~Mrs.~~ Tipper Gore, will be hosting a briefing for all spouses of the Senate, House, and Cabinet on the details of the health care bill.

Like the Health Care University held a few weeks ago, we believe this to be an historical opportunity of a bipartisan, bicameral briefing for spouses on an issue of utmost importance to all of us.

We hope your spouse will be able to join Mrs. Clinton and Mrs. Gore at the event. An official letter of invitation will be sent to your spouse in the next few days. If you have any questions about the event, please direct your call to ~~Araceli Ruano~~ Cindy Trutanic of Mrs. Gore's office at 456-~~6772~~ 6640.

Sincerely,

Tom Daschle
Co-Chair
Democratic Policy Committee

Don Nickles
Chair
Republican Policy Committee

Congress of the United States
House of Representatives
Washington, DC 20515-2005

November 4, 1993

Dear Colleague,

In response to many requests from Members, we are pleased to let you know that a special briefing will be held for all spouses of House, Senate and Cabinet members on the details of President Clinton's health care reform bill.

First Lady Hillary Rodham Clinton and Mrs. Tipper Gore will be hosting a briefing on November 17th, 1993 at 9:30 a.m. to 11:30 a.m. in 902 Senate Hart Office Building. This bi-partisan, bi-cameral briefing will provide everyone an opportunity to learn about and discuss the proposal.

We hope your spouse will be able to join Mrs. Clinton and Mrs. Gore at the briefing. An official letter of invitation will be sent to your spouse in the next few days. If you or your spouse has any questions about the event, please call Cindy Trutanic of Mrs. Gore's office at 456-6640.

Sincerely,

Steny H. Hoyer
Chair
Democratic Caucus

Dick Armey
Chair
Republican Conference

MEMORANDUM

TO: Carol Ann Meares
FR: Chris Jennings
RE: **Biotech issue statement/Administration position**

November 1, 1993

BIOTECH BACKGROUND/ISSUE STATEMENT

Biotechnology pharmaceutical products have great potential to develop "breakthrough" drug treatments and cures for diseases afflicting millions of Americans and costing billions of dollars. Because the biotech industry is the most heavily research investment oriented of all drug manufacturers and because it allocates much less of its dollars on marketing, it is frequently cited as the shining star of the pharmaceutical industry. Contributing to this perception is the fact that the biotech industry has a relatively solid track record of not increasing prices significantly above inflation and of pricing its products at levels that largely mirror the prices that other Western countries pay.

While the potential of the biotech industry is virtually limitless, there are also great fears that the manufacturers of these products will price its products at levels in the future that will threaten the solvency of private and public insurance plans. A number of examples have been cited in recent years that illustrate pricing behaviors that support these fears. As a result, the concern has been raised that biotech products that can be defined as "breakthroughs", i.e. that have no significant therapeutic alternative, will have little or no competition in the private or public sectors to pressure companies to be price sensitive.

THE CLINTON HEALTH SECURITY PROPOSAL

The challenge of health reform as it relates to prescription drugs has been to balance the need to provide prescription drug coverage for all Americans with the need to contain pharmaceutical costs, while at the same time retaining adequate incentives for investment in research and development. The Clinton Administration's plan has attempted to achieve the appropriate balance by providing for a significant drug benefit for every American ($250 deductible and 80 percent coverage), by specifically rejecting price regulation of drug products in the private sector, and by providing for a breakthrough drug review board that will evaluate and publish new drug prices that it concludes are excessive.

Representatives of the pharmaceutical industry have raised concerns about the breakthrough drug advisory board, the required discount that the legislation requires the drug industry to give to the Medicare program (now one of the world's largest single purchaser of pharmaceuticals), and the provision that provides the authority for the Secretary of Health and Human Services the ability to negotiate over the price of new products charged to the taxpayer-supported Medicare program. Representaives of these companies frequently ignore the many concessions the Administration gave to the industry during the development of this legislation.

The President explicitly rejected price controls, rejected the ability of the Medicare program to use a formulary, put into place the elimination of the required Medicaid rebate program, provided a huge new market by requiring that every American have drug coverage, and created new incentives for the covered Medicare population to purchase insurance outside of the fee for service system, which have the required rebate, that the industry so despises. Despite integrating these changes into the President's plan, the industry has chosen to go into an all out attack of the plan. They claim that the remaining provisions are still contributing to the difficulty they are now facing in attracting needed capital for investment in their industry. (In response, some analysts point out that the availability of investment capital is, has been, and always will be cyclical and this is just a down time, much less worse than it has been in years past, for this and other industries.)

Representatives of consumer groups almost universally strongly support our pharmaceutical coverage and cost containment provisions. Families USA, AARP and multiple other aging advocacy groups, Consumers Union, the pharmacists, the AIDS Action Council, the National Organization of Rare Diseases, numerous other advocates of disease-afflicted populations, and many other groups representing millions of Americans have written in to endorse the President's plan. They are taking their position because they have **rejected** the industry's position that the cost containment provisions will reduce investment in the treatments and cures that would benefit the people they represent. In fact, some of the groups -- such as Consumer Union -- have concluded that we have gone to far towards the industry's position.

The President believes the package he has submitted relating to pharmaceutical coverage and cost containment represents a fair balance between the interests of all affected and interested parties. He, like he rest of the Administration, remains open to suggestions from both consumers groups and the pharmaceutical industry to further strengthen the proposal.

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Chris Jennings
Steve Edelstein

FROM: Richard A. Veloz (RAV)

RE: Hispanic Members of Congress and The Health Security Act of 1993

DATE: 11/3/93

HISPANIC MEMBERS OF CONGRESS AND THEIR POSITION ON THE PRESIDENTS HEALTH SECURITY ACT OF 1993
NOVEMBER 3, 1993

The Hispanic Members of Congress, especially Congressman Richardson, are very involved in the NAFTA deliberations until the vote on the 17th of November. They do not, in most cases, want to make any commitments on the Presidents health bill at this time. I am arranging to meet with Hispanic Caucus staff to see if a workshop to address specific concerns and help clarify issues is needed.

So far, at least three Hispanic members have agreed to be Co-Sponsors.

Eleven Hispanic members have signed on as Co-Sponsors of H.R. 1200.

•

The ? means I have not yet spoken to the member or staff concerning their position.

•

* Not a member of the Hispanic Caucus
** Co-Sponsors of H.R. 1200

MEMBER	CONTACT	POSITION
Jose E. **Serrano (D-NY) Chairman, Hispanic Caucus (225-4361)	Lucy	Undecided
Lucille **Roybal-Allard (D-CA) (225-1766)	Stan, Maria	Undecided
Ed **Pastor** (D-AZ) (225-4065)	Gladys	?

E (Kika) **de la Garza** (D-TX) (225-2531)	Bernice	Undecided
Ron **de Lugo (D-VI) (225-1790)	Sheila	?
11 Solomon P. **Ortiz** (D-TX) (225-7742)	Lencho	Undecided
Bill **Richardson** (D-NM) (225-6190)	John	**Co-Sponsor**
Esteban E. **Torres (D-CA) (225-5256)	Al	?
Ileana **Ros-Lehtinen** (R-FL) (225-3931)	Mauricio	?
Xavier **Becerra (D-CA) (225-6235)	David, Elsa	?
Henry **Bonilla** (R-TX) (225-4511)	Steve Ruhlen	?
Lincoln **Diaz-Balart** (R-FL) (225-4211)	Jeff Bartel	?
Luis **Gutierrez (D-IL) (225-8203)	Jenice	?
Robert **Menendez** (D-NJ) (225-7919)	Mike Hutton	?
Carlos **Romero-Barcelo (D-PR) (225-2615)	Luis	**Co-Sponsor**
Frank **Tejeda** (D-TX) (225-1640)	Matt	?
Nydia **Velasquez (D-NY) (225-2361)	Karen	?
Robert **Underwood (D-Guam) (225-1188)	Terry, John	**Co-Sponsor**
/* Marty **Martinez (D-CA) (225-5464)		?
* Henry B. **Gonzalez** (D-TX) (225-3236)	Jennifer	Undecided
Eni **Faleomavaega (D-Amer.Samoa) (225-8577)	John	?

Richard Ulloz 401-5325

H.R. 1200 CO-SPONSORS

November 3, 1993

CO-SPONSOR

1. JIM MCDERMOTT (D-WA)
JOHN CONYERS (D-MI)

NEIL ABERCROMBIE (D-HI)
GARY ACKERMAN (D-NY)
TOM ANDREWS (D-ME)
* XAVIER BECERRA (D-CA)
ANTHONY BEILENSON (D-CA)
HOWARD BERMAN (D-CA)
SANFORD D. BISHOP (D-GA)
10. LUCIEN BLACKWELL (D-PA)
ROBERT BORSKI (D-PA)
GEORGE E. BROWN (D-CA)
BILL CLAY (D-MO)
EVA CLAYTON (D-NC)
BARBARA ROSE COLLINS (D-MI)
CARDIS COLLINS (D-IL)
WILLIAM COYNE (D-PA)
JAMES CLYBURN (D-SC)
* RON DE LUGO (D-VI)
20. RON DELLUMS (D-CA)
JULIAN DIXON (D-CA)
DON EDWARDS (D-CA)
ELLIOT ENGEL (D-NY)
LANE EVANS (D-IL)
* ENI FALEOMAVAEGA (D-AS)
SAM FARR (D-CA)
CLEO FIELDS (D-LA)
FLOYD FLAKE (D-NY)
HAROLD FORD (D-TN)
30. BARNEY FRANK (D-MA)
ELIZABETH FURSE (D-OR)
SAM GEJDENSON (D-CONN)
SAM GIBBONS (D-FL)
* LUIS GUTIERREZ (D-IL)
DAN HAMBURG (D-CA)
MAURICE HINCHEY (D-NY)
EARL HILLIARD (D-AL)
GEORGE HOCHBRUEKNER (D-NY)
EDDIE BERNICE JOHNSON (D-TX)
40. JOE KENNEDY (D-MA)
JOHN LAFALCE (D-NY)
TOM LANTOS (D-CA)
JOHN LEWIS (D-GA)
CAROLYN MALONEY (D-NY)
THOMAS MANTON (D-NY)
ED MARKEY (D-MA)
* MATTHEW MARTINEZ (D-CA)
FRANK MCCLOSKEY (D-IN)
CYNTHIA MCKINNEY (D-GA)
50. CARRIE MEEK (D-FL)
KWEISI MFUME (D-MD)
GEORGE MILLER (D-CA)
PATSY MINK (D-HI)
JOE MOAKLEY (D-MA)
AUSTIN MURPHY (D-PA)
JERROLD NADLER (D-NY)
ELEANOR HOLMES NORTON (D-DC)
JIM OBERSTAR (D-MN)
JOHN OLVER (D-MA)
60. MAJOR OWENS (D-NY)
DONALD PAYNE (D-NJ)
NANCY PELOSI (D-CA)
NICK J. RAHALL (D-WV)
CHARLES RANGEL (D-NY)
MEL REYNOLDS (D-IL)
* CARLOS ROMERO-BARCELO (D-PR)
* LUCILLE ROYBAL-ALLARD (D-CA)
BOBBY RUSH (D-IL)
MARTIN SABO (D-MN)
70. BERNIE SANDERS (I-VT)
CHARLES SCHUMER (D-NY)
ROBERT SCOTT (D-VA)
* JOSE SERRANO (D-NY)
PETE STARK (D-CA)
LOUIS STOKES (D-OH)
GERRY STUDDS (D-MA)
AL SWIFT (D-WA)
BENNIE THOMPSON (D-MS)
* ESTEBAN TORRES (D-CA)
80. EDOLPHOUS TOWNS (D-NY)
WALTER TUCKER (D-CA)
* ROBERT UNDERWOOD (D-GU)
* NYDIA VELAZQUEZ (D-NY)
BRUCE VENTO (D-MN)
CRAIG WASHINGTON (D-TX)
MAXINE WATERS (D-CA)
MELL WATT (D-NC)
LYNN WOOLSEY (D-CA)
89. SID YATES (D-IL)

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Ira Magaziner

FROM: Richard A. Veloz RAV

RE: Hispanic Caucus technical changes to the Health Security Act

DATE: 11/11/93

c.c. Chris Jennings

There is concern that the current Anti-Discrimination, and Immigration protection bill language is inadequate (see Attached).

They are requesting a follow up meeting next week with Judy Feder and may also request your presence.

I can be reached at 202-456-2302.

Congress of the United States
Congressional Hispanic Caucus
103rd Congress

MEMORANDUM

To: Judy Feder, DHHS and Jack Lew

From: Rick Lopez, CHC Executive Director
Esther Aguilera, Health Legislative Assistant

RE: TECHNICAL CHANGES TO THE HEALTH SECURITY ACT

Date: November 7, 1993

Pursuant to the discussions during the three issues cluster meetings, this memo is intended to outline technical changes to the Health Security Act that we noted upon initial review of the Act. The following changes are critical:

ANTI-DISCRIMINATION PROTECTIONS

Language and citizenship status should be included as protected categories in anti-discrimination provisions. ADD LANGUAGE AND CITIZENSHIP STATUS IN THE FOLLOWING SECTION as bolded below:

SEC. 1402. REQUIREMENTS RELATING TO ENROLLMENT AND COVERAGE.

(C) Anti-Discrimination.--

(1) In General. -- No health plan may ... on the basis of race, national origin, **citizenship status, language**, gender, income, health status, or anticipated need for health services.

(2) Selection of Providers for Plan Network.--

(A) based on the race, national origin, **citizenship status, language,** or gender of the provider; or

(B) based on the income, **language, citizenship status,** health status, or anticipated need for health services of a patient of the provider.

IMMIGRATION SCREENS: ENROLLMENT OF FAMILY INDIVIDUALS

SEC. 1011. GENERAL RULE OF ENROLLMENT OF FAMILY IN SAME HEALTH PLAN.

(b) Family Defined. --

(2) includes the following persons (if any):

(A) The individual's spouse.

(B) The individuals children (and, if applicable, the children of the individual's spouse)

[NOTE: Eliminate the requirement the states "if they are eligible individuals"]

DEFINITIONS RELATED TO ELIGIBLE INDIVIDUALS

SEC. 1001. ENTITLEMENT TO BENEFITS.

(c) Eligible Individuals Defined. In this Act, the term "eligible individual" means an individual who is residing in the United States and who is

(1) a citizen or national of the United States;
(2) a citizen of another country legally residing in the United States (as defined in section 1902(1)); or
(3) a long-term nonimmigrant (as defined in section 1902(19)).

SEC. 1005. TREATMENT OF OTHER NONIMMIGRANTS.

(a) Undocumented Aliens Ineligible for Benefits. An undocumented alien is not eligible to obtain the comprehensive package through enrollment in the health plan pursuant to this Act.

SEC. 1902. OTHER GENERAL DEFINITIONS.

Except as otherwise specifically provided, in this Act the following definitions apply:

(1) CITIZEN OF ANOTHER COUNTRY LEGALLY RESIDING IN THE UNITED STATES. The term citizen of another country legally residing in the United States means:

(A) an alien lawfully admitted for permanent residence (within the meaning of section 101(a)(20) of the Immigration and Nationality Act);

[NOTE: Section 101(a)(19) that is currently referred in the Act is wrong]

(B) an alien eligible for work authorization granted by the Immigration and Naturalization Service;

(C) an alien permanently residing under color of law, including but not limited to any of the following:

(i) An alien who is admitted as a refugee under section 207 of the Immigration and Nationality Act.

(ii) An alien who is granted asylum under section 208 of such Act.

(iii) An alien whose deportation is withheld under section 243(h) of such Act.

(iv) An alien who is admitted for temporary residence under section 210, 210A, of 245 of such Act, and the spouse or children of such alien.

(v) An alien who has been paroled into the United States under section 212(d)(5) of such Act for an indefinite period or who has been granted extended voluntary departure, temporary protected status, or deferred enforced departure, as a member of a nationality group.

(vi) An alien who is spouse or unmarried child under 21 years of age of a citizen of the United States, or the parent of such a citizen if the citizen in over 21 years of age, and with respect to whom an application for adjustment to lawful permanent residence is pending.

(vii) An alien within such other classification of permanently residing under color of law for purposes of this Act only as the National Health Board may establish by regulation to include pregnant women and children under 19 and other categories within a public health priority.

If you have any questions, please do not hesitate to contact us 226-3430. Thank you.

Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	ChrisJennings to Hillary Clinton Re: Wednesady Congressional Message Group Meeting (2 pages)	11/9/93	P5
002. memo	Chris Jennings to Hillary Clinton Re: Meetings with Senators Conrad and Harkin (1 page)	11/22/93	P5

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23754

FOLDER TITLE:
November 1993 HSA [1]

Gary Foulk

gf111

RESTRICTION CODES

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

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

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

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

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Chris Jennings (Health Security Act)
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November 1993 HSA [1]

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MEMORANDUM

November 23, 1993

TO: GENE SPERLING / KATIE BROEREN

FROM: JASON SOLOMON / SHERMAN JEWETT

RE: Article: *Small Businesses' Changing Views on Health Reform*

An article printed in the Journal of American Health Policy (Sept.-Oct. 1993) examined a poll of 750 randomly chosen firms with fewer than 50 employees. The study concluded that a "substantial segment of the small business community is sympathetic to health care reform...." The numbers are extremely useful for backing up our own arguments in the ongoing debate with the NFIB and their ilk. A copy of the article follows this summary.

The poll findings included the following:

- 75% say they favor a major restructuring of the health care system.
- 80% of firms cited premium costs as a "very important" reason why they do not provide health insurance. Other major reasons for not providing insurance included: firm's profits (61%); and premium costs were too uncertain from year to year (52%).
- 39% of the firms not offering insurance reported that their inability to qualify for coverage at group rates was a very important reason for not offering coverage. The three explanations given as to why the firms could not qualify were split evenly between: the firm was too newly established; the type of business made it ineligible for a policy; or one or more employees could not qualify for insurance because of a pre-existing condition.
- Firms now offering insurance are much more supportive of HIPCs. If a HIPC system will cost the same amount as if they directly purchased insurance for their employees, then most small businesses reject the HIPC system (61%). But if the HIPC system will lower their health insurance costs by 15%, then fully 79% favor such a system.
- Based on these findings, 53% of the small businesses surveyed were classified as "reformers." That is they favored a major restructuring and backed up that position by supporting change in at least two specific areas.

Small Businesses' Changing Views on Health Reform

Our national sample of 750 randomly chosen firms with fewer than 50 employees reveals surprising findings about the traditional views of small business on health care reform. A substantial segment of the small business community is sympathetic to health care reform, including such controversial measures as mandating that all employers contribute to the coverage of their workers, limits on health care spending, and altering the tax treatment of employer contributions for health insurance. Without premium savings, fewer than half of small businesses support the concept of health insurance purchasing cooperatives. With premium savings, a majority support it.

By Gail A. Jensen, Robert J. Morlock, and Jon R. Gabel

In the Clinton Administration's quest for comprehensive health care reform, few interests will exert greater influence through the political process than small business. Because Americans tend to romanticize small businesses, the small business lobby — along with the elderly — is one of the most influential interest groups in Washington. Small business is also seen as the engine of economic growth. Between 1982 and 1990, two-thirds of the new jobs created were in the small business sector (Kent, 1993).

The dilemma facing policymakers is that the same small businesses that fuel economic growth are also where an estimated 50 percent of the nation's 36 million uninsured Americans work (Congressional Budget Office, 1991). The Health Insurance Association of America found, in their national survey of employers, that fewer than 30 percent of firms with 10 or fewer workers offer health insurance to their employees (Lippert and Wicks, 1991). To achieve universal coverage, preliminary versions of the Administration's reform package call for mandatory contributions by all employers toward the cost of health coverage for their employees. Small employers would send their contributions to a health insurance purchasing cooperative (HIPC, also termed health alliance) where their employees would select from a menu of accountable health plans.

The small business lobby, as represented by the National Federation of Independent Businesses (NFIB), is adamantly opposed to the Administration's reform package. For example, NFIB refused a White House invitation to appear on a small business panel for a March 29, 1993, health care task force meeting. Yet the views of the small business community are diverse and occasionally deviate from those of the small business political lobby.

Using a national survey of 750 firms with fewer than 50 workers conducted in the spring of 1993, we examined the views of the small business community on current proposals for health care reform. Small business owners were asked about the need for reform of the health care system, their views about the fairest way to treat employer contributions to health benefits under the tax code, and how they felt about the basic principle of requiring all employers to contribute to the cost of health insurance. Our findings suggest a variety of views within the small business community and that small businessmen and women are more open to health care reform than conventional wisdom holds.

Methods

In April and May 1993 the survey research firm National Research Inc. of Washington DC conducted telephone interviews with 750 small businesses nationwide. The sample was drawn from the Dun & Bradstreet Corp. (D&B) list of private businesses nationwide that employ

Gail A. Jensen, PhD, is associate professor, and Robert J. Morlock is research assistant, Institute of Gerontology and Department of Economics, Wayne State University, Detroit. Jon R. Gabel is director of employee benefits research at KPMG Peat Marwick, Inc., Washington DC

fewer than 50 workers. Survey participants were drawn randomly from D&B's list after stratifying by size and location. The sample excluded businesses with no employees and government employers. In advance of the interview, business owners were sent a letter inviting them to participate in the study and indicating when they would be contacted for their interview. At the time of the survey, the interviewer asked to speak with the person most knowledgeable about the fringe benefits the business offered. In most cases that person was the owner, president, or office manager of the firm. In all, 1,721 firms were contacted, and 750 agreed to participate in the survey. This response rate of 44 percent is typical of small business surveys.

Reflecting the probability of selection, each employer was assigned a weight. This allowed us to calculate national statistics representing all private businesses employing fewer than 50 workers. The margin of error on estimates from the survey is approximately plus or minus four percentage points.

Size Determines Coverage

We found that 50 percent of all businesses with fewer than 50 workers do not offer health benefits as a fringe benefit. The size of a business, as measured by the number of people it employs, is the single most important predictor of whether it provides health insurance. The larger the firm, the more likely it is to provide coverage.

Our survey found that the percentage of firms offering health insurance is 44 percent among firms employing fewer than 10 workers, 70 percent among firms employing 10 to 24 workers, and 85 percent among firms employing 25 to 49 workers (see Figure 1). Among all firms with fewer than 50 workers, the low overall percentage offering coverage - 51 percent — reflects the fact that the vast majority of firms in this size range employ fewer than 10 workers.

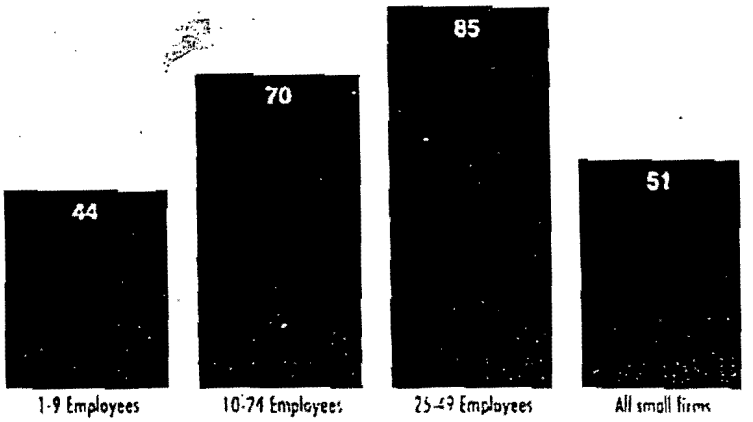
Reasons Against Coverage

Our survey asked firms that do not provide health insurance to indicate why. The most frequent response was that current premiums were simply too high. Eighty percent of small businesses indicated that high premiums were a "very important" factor in the decision not to provide benefits, and another 10 percent indicated that they were a "somewhat important" reason (see Figure 2). Other often cited reasons for not offering insurance were that the firm's profits (79 percent) and/or premiums for insurance (75 percent) were too uncertain from year to year to make a commitment to provide health benefits.

Our survey reveals that most small businesses maintain a high degree of continuity in their insurance offerings. We found that many firms (56 percent) that chose not to offer insurance feared that if they did provide it, they might have to take it away at some future date. It was unusual to find firms that did not provide insurance at the time of our survey had ever provided it. Only 17 percent indicated that they had. Likewise, nearly all firms (89 percent) offering insurance at the time of our survey had offered it for at least the past three years. These findings of a high degree of stability in the insurance offerings of small businesses confirm the findings of earlier surveys on this issue (Lichtenstein and Witte, 1991). Many small businesses, and particularly those with fewer than 10 employees, report that qualifying for a policy at group rates is often difficult. Thirty-nine percent of the firms not offer-

Figure 1

The Percentage of Small Firms That Offer Health Insurance by Size of Firm, 1993



Source: Wayne State University/KPMG Peat Marwick, Survey of 750 Small Firms, Spring 1993

ing insurance reported that their inability to qualify for coverage at employer rates was a very important reason for not offering coverage. Yet when asked why they were unable to qualify, only about half could give a specific reason. The three explanations, identified with roughly equal frequency, were: the firm was too newly established; the type of business or industry the firm made it ineligible for a policy; or one or more employees could not qualify for insurance because of health conditions.

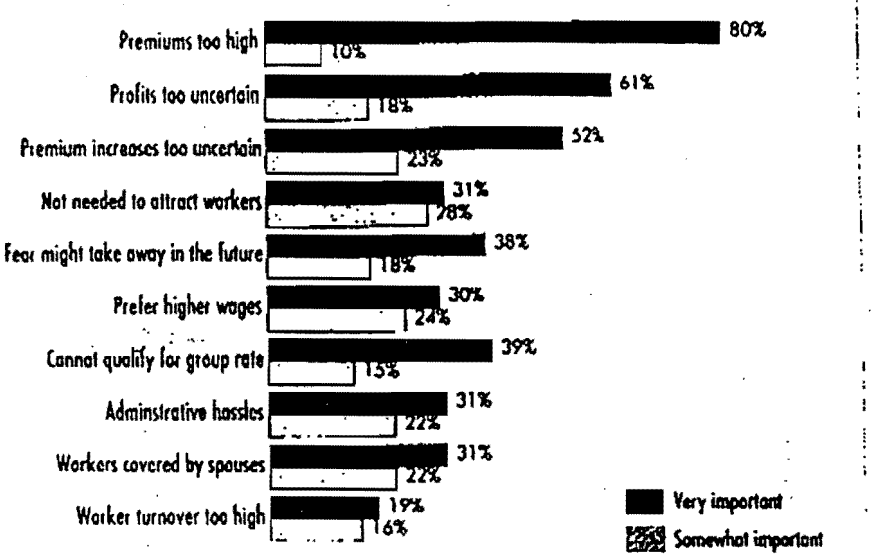
Desire for Reform

Participants in the survey were asked their opinions about some potential reforms of the health care system. Regardless of whether they provide health coverage, most small businesses (75 percent) say they favor a major restructuring of the health care system, 11 percent are opposed to major changes, and the rest gave no opinion. Support for major changes in the system, however, is not synonymous with support for any one particular reform strategy.

To assess the direction in which small business owners felt public policy should go, we asked respondents to comment on the appropriateness of several possible reforms to the health care system. Specifically, we asked them how they felt about: (1) requiring all employers to contribute toward the cost of health insurance for their employees; (2) imposing overall limits or budgets for health care spending; (3) changing the tax treatment of employer contributions for health insurance; and (4) adopting a "managed competition" model for securing workers' coverage rather than a direct employer provision model.

Figure 2

Why Small Firms Say They Don't Offer Health Insurance



Source: Wayne State University/KPMG Peat Marwick, Survey of 750 Small Firms, Spring 1993.

To elicit their views on the first issue — the desirability of mandating that employers contribute to the cost of health insurance — the interviewer said, "Some employers are concerned about proposed legislation that would mandate all employers to provide or contribute to the costs of health benefits for their employees. Others contend that a mandate is the only fair way to see that everyone has health insurance, and that when Employer *A* doesn't provide coverage, other employers indirectly pay for the coverage of *A*'s workers. How do you feel about requiring all employers to contribute for the coverage of their employees?"

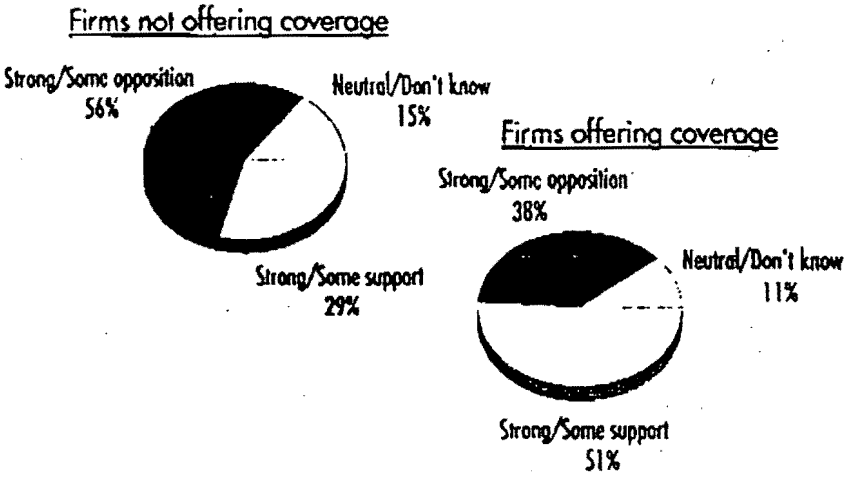
We wanted the respondent's opinion after he or she had heard at least part of the rationale for such a requirement. Small business owners were then asked to indicate whether they strongly support mandated contributions, somewhat support them, are neutral, somewhat oppose, or strongly oppose them.

Our survey found that close to half (42 percent) of all small businesses support the principle that employers should be required to contribute to the cost of health insurance for their employees. Even among firms not currently offering insurance, close to one-third (29 percent) say they support such a requirement. Among firms now providing coverage, 51 percent favor mandated contributions (see Figure 3).

This level of support for a mandate is much higher than earlier surveys of small businesses have found. For example, a 1989 survey of member firms of the NFIB found that only 25 percent agreed that "employers have a responsibility to provide employee health insurance," and only 24 percent supported the statement that "employers should be re-

Figure 3

Small Firms Offering Health Coverage Have Different Attitudes About Mandated Coverage Than Firms Declining Coverage



Source: Wayne State University/KPMG Peat Marwick, Survey of 750 Small Firms, Spring 1993.

quired to provide a basic level of employee health insurance" (Hall and Kuder, 1990). Respondents to the NFIB survey were overwhelmingly small firms, and, at least in terms of their size and industry composition, were similar to the firms covered by our survey.

It is possible that the increased support for a mandate may stem from our questionnaire's format. Unlike previous opinion surveys of small business, our survey attempted to give the respondent information on the case for various reforms. After hearing the argument for the proposition in question, business owners may have been more likely to support it as reasonable. It is also conceivable that the particular argument for a mandate that we chose to present that firms not offering coverage end up as free-riders to the health care system -- evoked either a sense of guilt or disturbance among some respondents. This might explain why so many (29 percent) of the firms that currently do not offer coverage essentially favor what amounts to a new requirement and cost for them.

On the issue of imposing overall budget limits for health care spending, respondents were simply asked to indicate whether they strongly support such measures, somewhat support them, are neutral, somewhat oppose, or strongly oppose them. Many small business owners (66 percent) indicate that they would like to see overall limits or budgets for health care spending imposed as part of a health care reform strategy. Firms that want a major restructuring of the health care system are most likely to support this particular reform.

To assess business owners' opinions about changing the current tax treatment of health insurance, we took a different approach. We asked small business owners which of three approaches they thought would be the "fairest" way to treat employer contributions for health coverage: (1) "treat all employer contributions for health insurance as tax-free, as they are today"; (2) "tax employer contributions for health insurance the same as wage income"; or (3) "treat employer contributions as tax-free up to the lowest cost plan in an area." Before giving them these choices, however, the interviewer said, "Currently, employers' contributions for health insurance are not treated as taxable income of employees. Some economists contend that this encourages Americans to over-insure and choose Cadillac health plans. Others say that taxing workers for employers' contributions for health insurance would place a greater burden on the middle class. Which of the following is the fairest way to treat employers' contributions for health coverage?"

As with our previous question about required contributions, we wanted to obtain business owners' opinions about changing the tax code after they had heard at least part of the case for reform.

Only a slim majority (60 percent) of small businesses believe that maintaining the status quo is the fairest approach to taxation (see Figure 4). Fifty-two percent of firms that do not now offer coverage believe that the current tax-free status of all employer contributions to health benefits should be preserved; among firms that offer insurance a slightly higher percentage, 65 percent, believe so. Just over a quarter of businesses (26 percent overall) believe a tax cap on employer contributions is fairest. A small minority (9 percent),

concentrated largely among firms that do not now offer insurance, believe that employer contributions for health insurance should be treated the same as wage income.

Managed Competition Views

On the matter of managed competition as a model for health care reform, we asked small business owners to indicate which of two approaches they would prefer if they were required to contribute to the cost of workers' health insurance. The choices described were providing group health insurance directly themselves, or contributing to the cost of securing workers' insurance through a HIPC.

The HIPC system that small businesses were asked to consider was described as entailing the creation of new statewide purchasing cooperatives specifically for firms in their size class (fewer than 50 workers). Employers would be required to pay a contribution on behalf of each of their workers, which would be used toward the lowest-cost certified plan in their area. That contribution would then buy an employees' health insurance through the local HIPC, which would offer a wide choice of health plans to employees and would relieve small businesses of having to administer benefits themselves. Survey respondents were asked if they would prefer to pay the contribution to a HIPC or to provide group insurance themselves. The firms were also asked what price incentives would cause them to prefer the HIPC model to providing the insurance themselves.

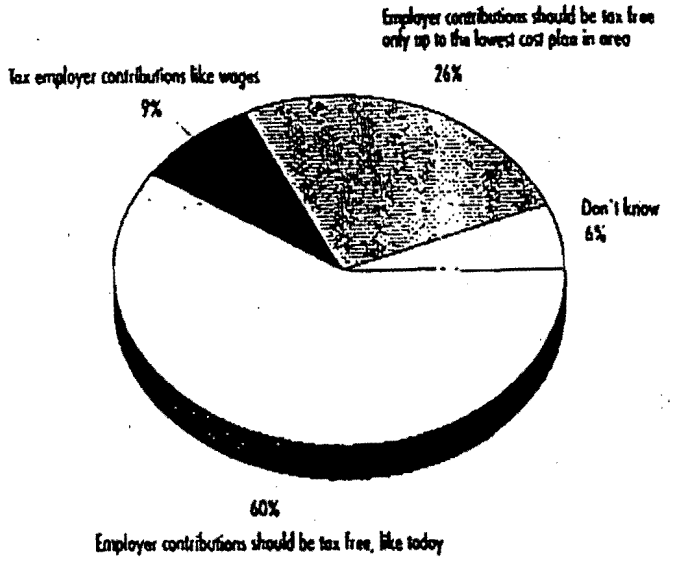
Small business owners' attitudes toward managed competition depend critically on the perceived savings associated with that approach. If a required HIPC contribution will cost firms the same amount as if they purchased health insurance for their employees directly, then most small businesses (61 percent) are unwilling to endorse a HIPC system (see Figure 5). In this case, 43 percent prefer providing health benefits themselves, and 19 percent say they "don't know" which approach they prefer. Firms not now offering insurance are much more supportive of HIPCs than firms currently providing benefits, yet fewer than half of them endorse the concept (46 percent favor HIPCs compared to 32 percent among firms offering coverage).

If HIPCs can save small businesses money, however, then support for them is actually very strong. Four-fifths (79 percent) say that they would favor a HIPC-type system if it can save them 15 percent over providing insurance directly. Thirteen percent say that they would prefer to provide health insurance themselves, and the rest (8 percent) say they "don't know." If HIPCs can save businesses 50 percent over the cost of direct provision, then nearly all firms (90 percent) endorse them. Interestingly, most of the firms that changed their opinion of HIPCs when the relative price was lowered were firms that currently provide benefits. The fact that they reversed their preferences so readily reflects the obvious importance they place on saving money on health insurance. Lowering their costs is their primary goal, and if HIPCs can take them there, they will support them.

For our initial HIPC question (about preferences if the employer's costs under both approaches were the same) the high percent-

Figure 4

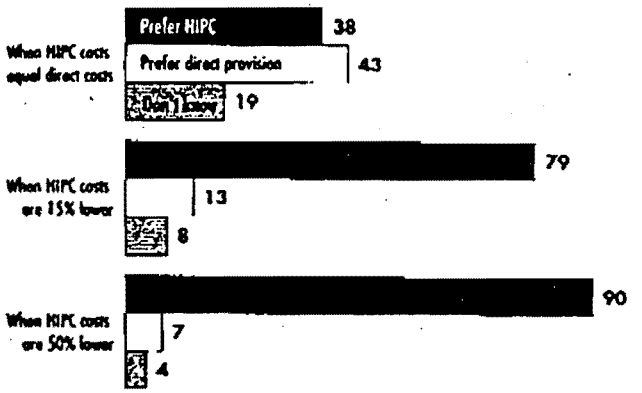
Almost Half of All Small Firms Are Willing To Change the Tax Treatment of Employer Contributions to Health Insurance



Note: Percentages do not sum to 100 due to rounding.
Source: Wayne State University/KPMG Peat Marwick Survey of 750 Small Firms, Spring 1993.

Figure 5

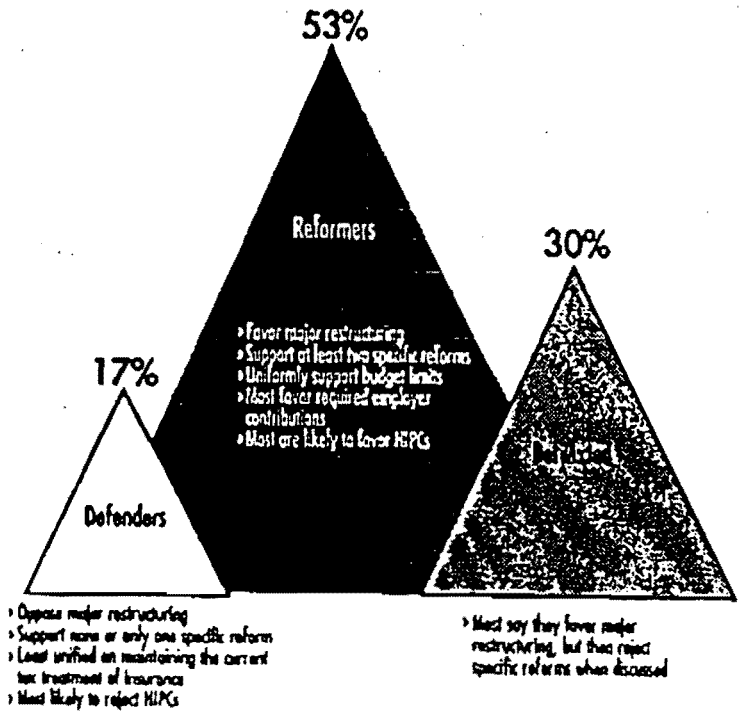
Under What Circumstances Will Small Firms Support HIPC-Style "Managed Competition" Over Direct Provision



Note: Percentages may not sum to 100 due to rounding.
Source: Wayne State University/KPMG Peat Marwick Survey of 750 Small Firms, Spring 1993

Figure 6

Political Subgroups Among Small Business



Source: Wayne State University/KPMG Peat Marwick Survey of 750 Small Firms, Spring 1993

age of small businesses that say they "don't know" which they prefer (19 percent) suggests that many of them still don't understand how a managed competition system would work, and they may not understand the full implications of it for their business. Even without such an understanding, however, we found that many of them converted to supporting a HIPC system when they perceived savings under that approach.

These findings convey two messages. First, policymakers will need to carefully explain alternative reform proposals if they wish to elicit the true preferences of small businesses. Second, the overriding concern of small businesses is to save money on the cost of insurance.

Political Subgroups

The above discussion suggests that there is considerable diversity among small businesses in their opinions of various reforms. Although characterizing firm views on a reform-by-reform basis is useful for summary purposes, examining the data in that way does not tell us whether there are certain sets of opinions that tend to go together. For example, do firms that express opposition to one measure also tend to reject other reforms, or is there any congruence in responses? Alternatively, to what extent do supporters of change in one area overlap the supporters of change in other areas?

We examined our data to determine whether there was a natural segregation of small businesses according to their opinions on the four policy issues discussed in the prior section. Within the small business population, we were able to identify three distinct subgroups of firms: (1)

those that support several of the reforms we had them consider, (2) those who oppose almost all of them, and (3) those who are somewhere between these two camps.

The first group, who can be described succinctly as "reformers," consists of firms that say they want a major restructuring of the health care system and who then back up that position by supporting change in at least two specific areas. Just over half (53 percent) of all small businesses are reformers by these criteria (see Figure 6). They uniformly support global limits on health care spending (91 percent), and most (62 percent) also believe that employers should be required to contribute to the cost of health insurance. They are split, however, in their views on changing the tax code and on the desirability of HIPCs. Fifty-five and 58 percent of reformers, respectively, favor these two possible reforms. As a group, reformers encompass all sizes and types of firms. Indeed, their composition closely mirrors the general population of small businesses.

The second group are best described as "defenders of the status quo." They are small businesses that say they oppose any restructuring of the system and who then go on to reject (perhaps not surprisingly) all, or all but one, of the specific reforms we discussed. They comprise nearly one-fifth (17 percent) of all small businesses. If defenders are willing to support anything, it is almost always changing the current tax treatment of employer contributions for health insurance. Twenty-two percent of defenders do not consider the current tax treatment to be the fairest approach to taxation, but many of them are still undecided as to the best alternative. Firms with more than 10 workers, and those offering health insurance, are most likely to defend the status quo. Not surprisingly, defenders are more than twice as likely as reformers to reject HIPCs as a means of providing coverage (62 percent compared to 27 percent favor direct provision) (see Figure 7). Their attitude toward HIPCs is consistent with their rejection of the other reforms that were presented to them.

The third group, which accounts for 30 percent of small businesses, are firms that do not fit either of these profiles. We call them the

Figure 7

Support for HIPC-Style "Managed Competition" Varies Sharply by Political Subgroup

Question	Reformer Group	Defender Group	Betwixted Group
Suppose the required HIPC contribution for employee health insurance were to cost you the same as if you purchased health insurance for your employees directly. Which would you prefer: to pay a contribution to a HIPC or provide the group insurance directly yourself?			
Prefer to pay the required HIPC contribution	58	8	20
Prefer to provide group insurance though the firm	27	62	61
Don't know	15	30	19
What if the required HIPC contribution were to cost your firm 15% less?			
Prefer to pay the required HIPC contribution	87	47	79
Prefer to provide group insurance though the firm	7	34	12
Don't know	4	19	9
What if the HIPC contribution were to cost your firm 50% less?			
Prefer to pay the required HIPC contribution	96	69	90
Prefer to provide group insurance though the firm	3	22	5
Don't Know	1	9	5

Source: Wayne State University/KPMG Peat Marwick Survey of 750 Small Firms, Spring 1993

"betwixted" group. They are typically firms that say they want major restructuring of the health care system, but yet they reject the specific reforms we offered them. Obviously, these firms are frustrated with the current system. Their failure to embrace the measures we described, however, could be interpreted a number of ways. They may favor some particular reform not discussed during the interview, or they may simply not know what they want. For example, we neglected to ask about support for a single payer all-government system, yet reportedly many small businesses favor this approach to providing universal access (Edwards et al., 1992). Our omission of this alternative is a limitation of our survey. Also, since the reforms that we did discuss with them could entail eventual costs to either firms or individuals (some nonpecuniary), respondents who perceived these costs might have rejected the measures on that basis. While conceivable, we think this possibility is less likely than the first two mentioned. Nonetheless, we can only speculate on the reasons for this rejection of specific reforms by firms that say they want change.

The opinions of small business on national health care reform have changed profoundly over the past few years. It is no longer true that small businesses are unified in opposition to an all-employer mandate. Today, 42 percent of small businesses agree that employers should be required to contribute to the cost of health insurance for their employees. Yet as recently as 1989, only 24 percent of small business owners lent their support to a statement that employers should be required to provide basic health insurance for their workers (Hall and Kuder, 1990).

The common view that small businesses are unwilling to reduce the current tax subsidy for employer contributions to health insurance is inaccurate as well, based on this survey. Today, only a slim majority believe that maintaining the status quo is the fairest approach to the taxation of health benefits. Forty percent of small business owners either favor a reduction in the current tax subsidy for employer contributions or are undecided on this issue. Among firms that reject the status quo, most believe that a limit should be placed on the amount of employer contributions counted as nontaxable income to employees. They favor a tax cap set at the level of the least costly plan in a firm's local area.

A Heterogeneous Group

This survey also tells us that while their opinions are changing, small businesses today are quite heterogeneous in their attitudes toward health care reform. While there are many firms that endorsed several specific policy reforms touched on in the survey, there are others that repeatedly rejected the possible reforms described to them, and still other firms that said they wanted major reform but then were unwilling to support specific strategies. In 1993, the first group is by far the largest, comprising 53 percent of all small businesses. Each of the reforms discussed in our survey was endorsed by a majority of these "reformers." In order of preference, reformers favor overall budget limits for health care spending, a mandate that employers contribute toward the cost of health insurance, a HIPC system for small business health insurance, and changes in the current tax treatment of employer contributions for health insurance.

The cost of health insurance is an overarching concern of small businesses. Our survey found that cost was the most frequent reason given for not offering coverage, and it was also pivotal in influencing small business owners' support for managed competition. If insurance purchasing cooperatives can deliver savings on the order of 15 percent, then small firms overwhelmingly favor securing workers' coverage through such purchasing arrangements rather than directly providing insurance themselves. Absent such savings, however, only a minority of small businesses endorse the managed competition model. Our survey also suggests that many small firms still don't understand how managed competition would work, so policymakers need to educate this group if they want to elicit their true preferences on this issue.

Small businesses may now be a more potent force for national health care reform than they were just a few years ago. Not only do firms say they want major restructuring of the health care system, but most are now willing to endorse specific changes in policy. This is new. Although still a collective minority, many small businesses are even willing to support reforms which entail obvious costs to themselves or to their employees.

Small business should not be viewed as a roadblock to reform, but rather as a group that needs to be educated. Our survey shows that when presented with both sides of the case for reform, many businesses are willing to sacrifice for the greater goal of achieving positive change in the system.