Disabilities Speech
potus

PRESIDENT CLINTON: Well, thank you, Stephanie and Denise, and thank you all for being here.

I want to thank ADAPT, the National Council for Independent Living, the Consortium of Citizens with Disabilities. (Cheers, applause.)

I recognize my good friend, Tony Coelho; Martha Bristow (sp), the chair of the National Council on Disabilities pending confirmation. (Cheers, applause.)

I am honored to be given this book of signatures of genuine American heroes who are fighting every day for their own rights and for genuine health care reform for all Americans. I want to say a special word of thanks to Justin Dart (sp), who has risen above partisanship to provide an example for all of us about what it really means to keep fighting the good fight not only for Americans with disabilities -- this is a fight for all Americans who are touched by -- (cheers, applause).

And I want to say a special word of thanks to Kate Miles (sp) and her family for being here today, for her determination, her courage, her love, and for her ability to get up here and tell their very moving personal story.

I say this to make a special point. The issues affecting Americans with disability -- they say, well, there are 49 million Americans with disability, and there are -- some sort of disabilities, and there are 255 million of us total. But if you consider family members of all the Americans with disabilities, you're getting very close to a majority of us who would be affected in a positive way by the provisions of the Health Security Act that help Americans with disabilities, just those provisions.

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x x x provisions.
And in a very moving and human way, Kate Miles and Robert and their children and husband, all the families they stand for all across America, they have reminded us of what this is all about.

The theme of your rally today is Bridge to Freedom, and I want to talk a little about that. The Americans with Disabilities law was a bridge to freedom, but it's only part of the equation. It's only part of the equation. What about economic freedom? How many Americans with disabilities are denied the chance to do work they are able to do, not because of discrimination per se but because of the way the health care system works? This is not just a health care issue; it's a work issue. How much better off would the rest of us be if every American with a disability who was willing to work could work because of changes in the health care system? It's self-defeating to say to the Americans with disabilities, "You can have health benefits, but only if you spend yourself into poverty, and above all, you must not work."

Forty-nine million Americans with disabilities, 24 million with severe disabilities, half with no private health insurance. The health care system is failing Americans with disabilities, but in so doing, it is failing us all. It is making us less productive than we would otherwise be, less strong than we would otherwise be. It is costing more tax dollars and robbing us of taxes that would come to America's treasury not from higher tax rates but from more Americans working and paying taxes in the ordinary course of their lives.

We had better fix it now. After all of the incredible debates, after all of the amazing ads where -- and Justin just referred to one of them, you know, these ads where they say -- somebody calls up and says, "Well, we'll have to call the government to see if you can get your doctor, " all these incredibly bogus ads, we had better do this now. We had better do this now. Otherwise, the forces of disinformation, organized disinformation will think that the American people actually prefer to have the most expensive, wasteful, bureaucratically cumbersome health care insurance financing system on the entire face of the Earth, that they prefer that as opposed to giving a decent

break to this fine family and to all of you.

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x x x you.

I don't believe the American people prefer that, and we had better make sure that no one draws that historic lesson from this health care debate. (Applause.)

You know, there's a lot of talk today about the whole term "empowerment." It risks becoming a buzz word. There's an Empowerment Television Network. And -- but, frankly, I like it. It encaptures something that is uniquely American, the idea that people ought to be able to live up to the fullest of their God-given abilities and that the government should facilitate people fulfilling themselves, not just be a paternalistic government doing things for people.

I have believed in that for years. Long before I ever became president, I worked on things that I thought would promote empowerment, more choices for parents and children in education, tax breaks for lower-income working people. Some of the things that we've also promoted here in Washington: the Family and Medical Leave Act here in my presidency was an empowerment bill that enables people to be good parents and good workers at the same time; the empowerment zone concept that we passed through the economic program last time; lower student loans -- lower interest rates for student loans and better pay back is an empowerment notion; national service is an empowerment notion -- let people have the strength at the grassroots level to solve their own problems.

Empowerment involves work and family and self-fulfillment in a responsible way. How can we empower the American people when 81 million of us live in families with preexisting conditions? When the average American, in the normal course of an economic lifetime now will change jobs eight times, when this fine man cannot change his job even if he gets a better job offer because he can't insure his child, is that empowerment? No, it is the very reverse. So when we try to fix it, what do our adversaries say? "They're trying to have the government take over the health care system." False. Private

insurance, private providers, empowerment for this man, this woman, these children, their families and their future. (Cheers, applause.)

(Inaudible comment from audience.)

Can you stay around here till this is over? (Laughter.) You're great!

Now, they say -- let's not kid ourselves, if this were easy it would have been done already, right? I mean it would have been --
people have been trying to do it for 60 years. What is the nub of this? The nub is the question of how to cover everybody and then how to give small businesses the same market power in buying insurance that big business and government have, because all across America government and big business are downsizing and small businesses are growing.

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x x x growing.

I might say that means we better fix this now because 10 years from now you'll have a smaller percentage of people working for government and big business and a larger percentage of people working for small business, and if we do not fix this now, this is going to get worse, not better. We already have about 100,000 Americans a month losing their insurance permanently. In the future, if we're going to be caught up in the kind of a world that I want, where we have open borders and we trade and we have these churning, fascinating ever- changing economies, we better fix it now, because people will change jobs more often, not less often.

This is a profoundly important issue, but we cannot do it unless we find a way for everyone to have access and actually be covered by insurance. Nine out of 10 Americans who have private insurance today have it at work. Eight out of 10 Americans who don't have insurance, like this fine young man here, are in families where there is at least working person. Therefore, it makes logical sense to say that people who do work should be covered through work with a combination of responsibility, just as

this family has, from employers and the employees. And then people who are not working should be covered from a public fund. That is our plan -- hardly a government takeover of health care.

And it makes sense for the government to empower small business to be able to afford this by providing the opportunity to be in buyers' co-ops so that small businesses, self-employed people, and farmers can buy insurance on the same terms big business and government can and thereby can afford to hire persons with disabilities, because they will be insured in big pools so that, if there is one big bill for this young man here, the insurer does not go broke. And furthermore it makes sense to give small businesses a discount because a lot of them have financial burdens and lower profit margins, and so we do that.

That is the role of the government in this: Require people who don't provide insurance to their employees to do it in partnership with their employees; let small businesses go into big buyers' co-ops so they can buy insurance on the same terms that the president and the Congress can and people who work for big companies can; eliminate discrimination so that people can move from job to job by removing the problems of preexisting conditions; and finally face the fact that, if you look at the aging population and the disabled population, we must do something to support long-term care that is community-based and home-based.

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The following stories are expected today. All times EST. Questions can be directed to the Newsdesk, (212) 603-3748.

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bc-mrs-clinton-sked 05-02
First Lady Hillary Rodham Clinton Schedule for May 2

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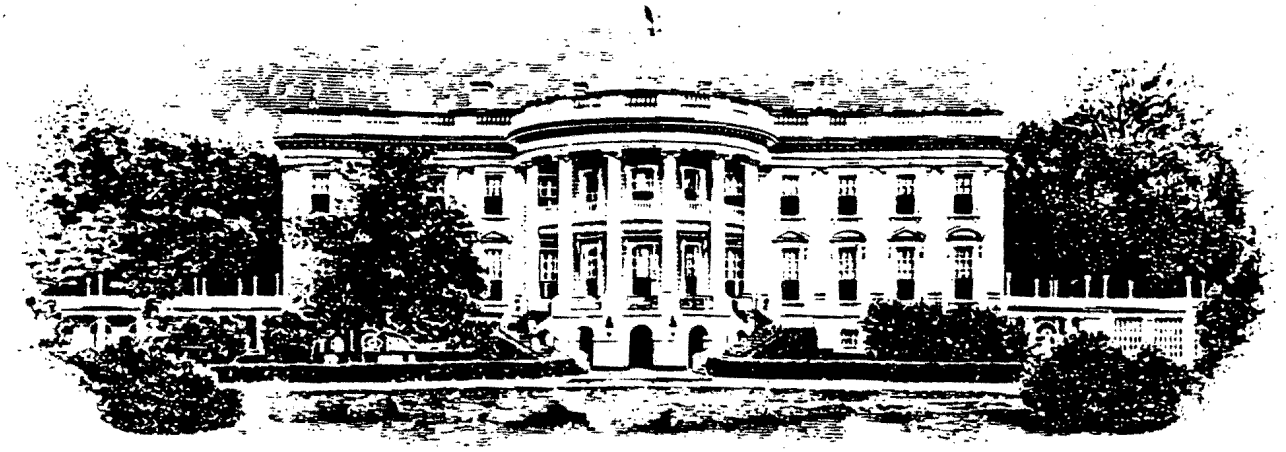

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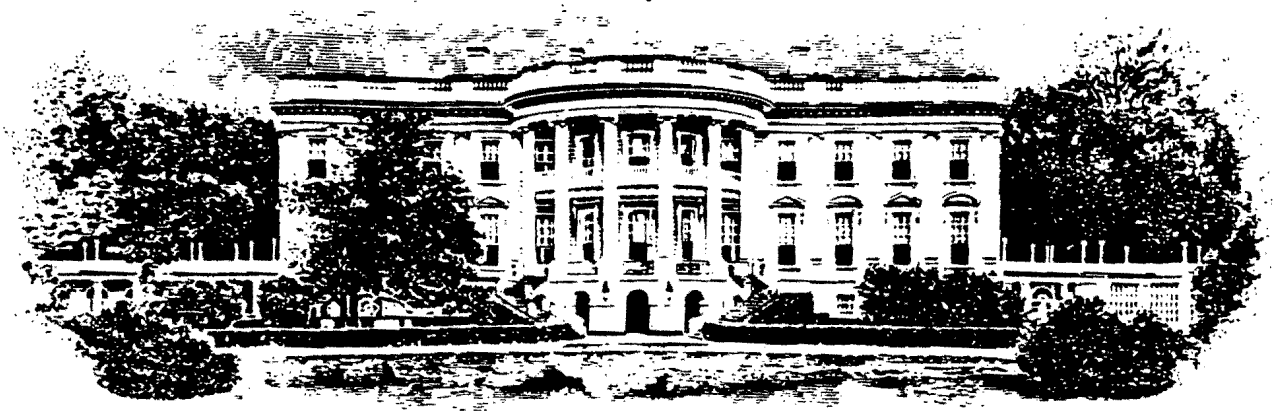

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DLC--PoTus Speech
12/93

The President of the United States
Democratic Leadership Council
December 3, 1993

I want to thank everyone here with whom I've shared a great political and intellectual adventure.

Just eight years ago, after we had lost another presidential election, a group of Democrats gathered to define what we stood for and where we wanted our party to go.

You know, sometimes getting knocked on the head can focus your mind. So we appreciated the wisdom of something Hillary likes to tell me: that insanity is doing the same thing over and over again -- and, each time, expecting a different result.

We got to thinking that, as long as we kept losing national elections, we would never be able to give this country the new direction it so urgently needs. And we knew we'd keep on losing as long as the Republicans succeeded in convincing hardpressed, middle class Americans that we cannot be trusted to grow the economy, to defend our national interests abroad, to put their values into social policy at home, or to run a government that gives them value for their hard-earned tax dollars.

We in the DLC have always understood that, for our politics and our policies to move a nation, they must express basic American values. And the heart and soul of the American experiment is a secure and growing middle class.

The American Dream that you and I were raised on is simple but powerful: If you work hard and play by the rules, you will be rewarded with a decent chance for yourself and a better life for your children.

Throughout our history, the Democratic Party has been the fulcrum that allowed our working people to lift themselves up and into the middle class.

And we believe that, if we are to be true to our historic mission as the party of the people, we must be the party of the middle class and everyone who is struggling to join the middle class. We must fight their fight; we must give voice to their concerns; we must give them the chance to build security in a time of change. Above all, we must honor their values: opportunity, responsibility, and community; work, family, and faith.

That is what it means to be a New Democrat. I was proud to campaign as a New Democrat. And I'm proud to govern as a New Democrat.

Because we're Democrats, we believe in our party's historic values: economic opportunity, social justice, and an unshakable commitment to our working men and women.

Because we're New Democrats, we promote old values in new ways. We believe in expanding opportunity, not expanding government; in empowerment, not entitlement; and in leading the world, not retreating from it. And, most of all, we believe in individual responsibility and mutual obligation -- that government must offer opportunity for all, and each of us must give something back in return.

With that vision and those values, we have changed our party -- and we are changing America.

When I was preparing this speech last night, I came across the text of the talk I gave when I became your chairman in March of 1990. And I found a few words that are worth repeating today:

> "Every one of us hopes the 1990s will see a political renaissance for the national Democratic Party. Every one of us knows that we can't realize all our goals until we elect a Democratic President. But at least I believe that...in the end, any political resurgence for the Democrats depends on the intellectual resurgence of our party."

Together, we achieved the "intellectual resurgence" that produced the "political resurgence." Together, we produced policies that embody the values of opportunity, responsibility, and community -- student aid in return for national service; welfare reform that lifts the working poor into the mainstream of society; reinventing government to make it accountable to the taxpayers; and dozens of other ideas that answer the needs and fulfill the values of the broad middle class in this country.

Ideas matter. We built the DLC on ideas. We won the election on ideas. Day by day, idea by idea, we're taking the values that are central to American life and putting them at the center of public policy.

As we approach the end of the year, it is time to take stock of how far we've come on our journey of change.

We have moved beyond the failed economic policies of the past -- trickle-down and tax-and-spend. Our economic plan has the largest deficit reduction in history -- nearly $500 billion, with more than 350 specific spending cuts totaling more than $250 billion.

At last, we ask the wealthy to pay their fair share. At least 80% of the new tax burden falls on those making more than $200,000 a year. For working families making less than $180,000 a year, there is now income tax increase -- none at all. Because

the very wealthy are paying their fair share, the middle class is getting a fair shake.

Let me read to you from a thorough review of the new tax law, written by the Kiplinger Personal Finance Magazine -- hardly a subsidiary of the Democratic Party. They say: "About 110 million Americans will file individual tax returns next spring. On 108 million of them, taxes will take a smaller bite than they did this year. That's right: smaller."

"The fact is," Kiplinger says, "more than 98% of us aren't affected by the higher income tax rates, which reach back to the first of the year. Our tax bills will go down a bit on the same income, because tax bills are indexed for inflation."

If you're part of what we used to call the Forgotten Middle Class, it is fair to say you are forgotten no more. In fact, as the Willie Nelson song says, "You were always on my mind."

Because we are serious about change, interest rates are down to historic lows, inflation is down, and investment is up. Chances are your home is more affordable, because your mortgage payment's lower; a new car is easier to buy, because interest rates are down; your children will be able to go to college or technical school, because we've expanded educational opportunity. Your small business will have new incentives to grow; your streets will be safer; and your job will be more secure.

In the last ten months, the economy has produced more private sector jobs than in the previous four years. And now that Congress has approved the North American Free Trade Agreement and I have gone to Seattle to meet with the leaders of the Asian Pacific economies, I know we can stimulate our jobs machine with even more exports.

In everything we do, we are honoring the values of work and family.

We made Family and Medical Leave the law of the land. We are finally sending our people the message that you can be a good parent and a good worker. We said we'd do it -- and we did it.

We expanded the Earned Income Tax Credit for 15 million working families with low and incomes. On April 15, when they file their tax returns, they will see that, at long last, we are using the tax code to lift them out of poverty. It's pro-work. It's pro-family. And it doesn't create a new government bureaucracy. We said we'd do it -- and we did.

We made student loans easier to get and repay. We are sending the message to our young people that, if they study hard and aim high, merit will get them into college. We said we'd do it -- and we did it.

We are strengthening the bonds of community all across America.

We signed into law the National Service Act. Three years from now, 100,000 young Americans will have the opportunity to rebuild their communities from the grassroots up, while earning money for their college education. We said we'd do it. And we did.

We're making community policing a reality. Both Houses of Congress have passed a Crime Bill that will put 100,000 more police officers on 100,000 more street corners; build more prisons; establish boot camps for young offenders; and ban assault weapons. We have to pass that bill next year -- and, when we do, we will send the moral message that our society will defend itself against those who threaten the safety and the lives of their fellow men and women.

For seven years, Jim and Sarah Brady, a family touched by violence, have campaigned for a law requiring a five-day waiting period before anyone can purchase a handgun, so there can be a check for someone's age, mental health history, and criminal record. On Tuesday, I signed the Brady Bill into law. We said we'd do it -- and we did.

We're beginning to restore people's faith that government can reflect their values and give them value for their taxes.

Under the leadership of another charter DLC member, Vice President Gore -- and following the recommendations of your own David Osborne and Elaine Kamarck -- we are literally reinventing government.

The Vice President's report recommends that the government start doing what our most successful companies began doing more than a decade ago: eliminating unnecessary layers of management, empowering frontline workers, becoming more responsive to their customers, and seeking constantly to improve the products they make and the services they provide. This report is not just sitting on a shelf -- it is the blueprint for an historic transformation of our government. We said we'd do it -- and we are.

And we can only make government accountable if we liberate it from the privileged special interests. We eliminated the tax loophole that let corporations deduct their lobbying expenses. And we are moving forward with lobby reform and campaign finance reform. We said we'd do it -- and we are.

We are just beginning our journey of change. In the year ahead, we must reform our health system, our welfare system, and our system of education and job training.

First, we must provide America's workers and businesses the security that they will not continue to be bankrupted by skyrocketing health care costs and terrorized by shrinking health care coverage. We need to guarantee every American the security of health care coverage that can never be taken away.

As with so many challenges, we can only achieve that goal by moving beyond the tired old debates between Right and Left. On one side, we're being told that the private health care market will take care of all its own problems. But the tens of millions who lack insurance and the double-digit cost increases prove that promise is empty.

We also don't need to replace America's employer-based system with a government-run system. In your book, **Mandate for Change**, you said there was a different and better way to pursue health care reform -- by changing the rules of the private health care market in a way that produces universal coverage and lower-cost, better-quality care.

I agree. Our plan offers a new choice -- guaranteed private insurance. We call for two crucial changes in the existing system -- the guarantee of comprehensive health insurance that you can never lose, and greater consumer power for families and small businesses to choose health insurance at lower rates. In that way, we rely on market forces and consumer choice to discipline rising costs.

The most important thing we offer hardworking middle class families is the security of health care that is always there. And make no mistake about it: I will fight for health security with the same effort and energy that I fought for NAFTA.

Our second reform will put the work ethic at the center of our public policies.

We made real progress this year towards making welfare a second chance, and not a way of life. We expanded the Earned Income Tax Credit, which rewards work over welfare. We are working with innovative efforts in Virginia, Georgia, and Wisconsin. And we are working closely with many Governors and Members of Congress -- some of them in this room today -- to prepare a comprehensive, national welfare reform plan.

The American people decided this debate a long time ago. There is overwhelming consensus across the lines of party and region and race and class in this country that the existing welfare system doesn't work, and we need to fix it. And nobody wants to change the welfare system more than those who are trapped inside it. That is why I want your help to build a broad, bipartisan coalition in Congress next year to encourage and reward work and responsibility again in this country.

Our third reform will revolutionize the way we educate and train our workers for an economy where change is the only certainty.

Building on the experience of reformers across the country -- including another charter DLC member, Secretary of Education Dick Riley -- we are making a national effort to raise standards in our schools. We believe the right standard for America isn't whether we are better than we were but whether we're the best in the world.

For the three-quarters of our young people who do not get four-year college degrees, we must merge the world of learning and the world of work. And, for those who lose their jobs and will never be called back to work by their former employer, the unemployment system is no longer good enough. Next year, I will ask Congress to change the unemployment system into a continuous reemployment system, so that people are always learning new skills to be productive citizens. This is a perfect example of our vision of linking opportunity and responsibility -- and taking government from the industrial age to the information age.

Every one of these changes, every step we take, has to be measured in a job that a mother or father finds, or an opportunity a child gains, or in better prospects for a business owner.

But ultimately each of us must assume more responsibility for our own life, for our family, for our community, and for our country. There is only so much that government can do to change our lives from the outside in; there is so much more that each of us must do to change our lives from the inside out. In the year ahead, I will use the bully pulpit of the Presidency to ask every American to reach deep within themselves to find the courage to change.

Our jobs won't be secure until workers are willing to learn new skills for a lifetime. Our businesses won't be secure until employers treat their employees like indispensable partners, not disposable parts. Our communities won't be secure until people who disagree about everything else stop shouting at each other long enough to realize that we have to save the children who are in trouble the same way we lost them, one child at a time.

The great challenge of our times is to find a way to offer our people the security to take responsibility for their own lives, to make change our friend and not our enemy, to bring out the best in each other and not the worst. Because you and I believe in the power of ideas, it is our solemn responsibility to make them come alive in the minds and the hearts and the lives of all of our people.

We have the mandate to change America. Now each of us must answer the call.

Economy

THE WHITE HOUSE

Office of the Press Secretary

Internal Transcript May 7, 1993

REMARKS OF THE FIRST LADY
TO THE BUSINESS COUNCIL

Williamsburg, Virginia

MRS. CLINTON: Thank you very much. I am delighted to be here and have this opportunity to visit with you. I know you've already had a number of very substantive and useful presentations about health care. And I'm looking forward to the opportunity to hear your questions and be able to do my best to try to describe where the administration is in this process.

I wanted to say just a key word about the process and -- (inaudible) -- especially to this group. The process that the President put into motion in order to seek out and find the best possible approaches to dealing with our health care crisis, because it is a crisis, has been unprecedented. It struck the President as a bit odd that it would be viewed in Washington and somewhat unusual to try to bring together in one effort people who cross all kinds of bureaucratic and other lines to work on behalf of a common agenda.

But apparently, as I was told the other day, there hasn't been anything quite like this effort since the planning of the invasion of Normandy. And I think that's a sad commentary to some extent on our domestic agenda in which we have allowed ourselves to be viewing these problems that are national problems through the prism of various bureaucratic agencies, various special interests, and losing sight of what the national common interest should be.

To that end the process has, first of all, tried to pull together from within the federal government itself those people with expertise, and then to go out and seek advice from some of the people you've already heard this morning, but many many others who have brought particular points of view to bear.

I'd like to give you just one idea of how difficult this has been and why it is so imperative that we follow through on what we have started. When I began this process, I learned very quickly that within the federal government itself there were at least five major agencies using different economic models based on different economic assumptions to drive different kinds of cost projections with respect to health care. And there were many other less important agencies who had pieces of health care who themselves were engaged in comparable effort; with the result that if one turns to the federal government and says, what would this proposed benefit package cost? One would receive, as I did, answers that varied in cost between $500 and $600, which on aggregate when one is looking at an entire nation, is an extraordinary amount of money.

We therefore concluded before we could go forward with the kind of intensive policy debate that this issue required, we first had to do everything we could to get the numbers right. Now, that may sound like an elementary conclusion to you, but it apparently was rather revolutionary in Washington.

And we put into place a process that has now been going on for three months, where we got for the very first time all of the actuaries and all of the economists from within the federal

government who have influenced health care policy over the last 30 years, but who had never been convened together. And we began forcing them as best we could to deal with one another, to examine each other's economic models and assumptions, and to go through a process that would give us the best possible numbers.

In addition, we convened a panel of nongovernmental, outside actuaries and economists who deal with health care and some of whom have been consultants to or in the employ of some of the businesses in this room, to second-guess and double-check the federal process. I cannot tell you how complicated it has been to reach some consensus among the government employees themselves about this issue. But I have said from the very beginning we would not go forward with policy proposals until we had agreements on numbers. And we will have the best numbers that the government has ever had before we do so. And we are close to a revolution of this, because we are now running various iterations based on the agreed-upon model.

But I wanted to start by giving you some sense of what the President has been up against in trying to harness even the resources of the federal government to speak with one voice about what the health care crisis is costing us, what the projected costs will be for the kind of policy recommendations that he favors, and what these savings will be to try to reach some net figures that we could consider credible.

In addition to the kind of hard work that underlies this process, there has been an extraordinary amount of consultation. Many of you in this room either through your individual capacity or through your corporation or through associations with which your corporations is associated, have been part of the more than 1,000 meetings that have been held between interested parties and persons and members of this health care task force.

That process of consultation will not only continue but intensify over the next weeks as we get to the point of hammering out the policy recommendations based upon what we believe will be the best available numbers to share with you.

In addition to the analytical and evaluative and consultative process that has gone on within the task force, we have also worked very hard to begin a substantial public education effort; because one of the principal difficulties we face is that the American public is aware in a personal way of their health care situation, but is not aware in the aggregate of what our health care choices have meant to our economy, to our quality of life, to our future stability. And so we are working very hard to reach out to enable people to be participants in a very broad conversation about what is the state of health care today; what is the real cost; and what future policy changes will mean for them personally.

I think that it is also a real difficulty for us is that even sophisticated decision-makers in their own areas often have overlooked the real impact that the rising and in some respects uncontrolled health care costs have had on their business interests and on the long-term growth prospects for -- (inaudible).

Many of you have had an occasion to hear presentations about the impact that health care costs have had on the deficit. But I want to underline this, because particularly important to this group, that we have worked very hard in the last several months to put together a credible deficit reduction proposal -- the first that our country has really undertaken seriously in several decades. But it is also clear that given the growth of health care costs in the federal budget that even were we to adopt the President's proposals, which, of course, I hope we will, it will create $500 million of savings in the deficit over the next years; that within five years the deficit will continue to rise because we will failed to deal with the principal driver of the rising deficit, which is health care costs.

And I think that the interrelationship between our economic fortune and the deficit reduction that is necessary for us to regain economic and financial stability for the long-term must always be talked about in the same breath as health care reform. We have to make it clear to businesses of all sizes as well as to individual citizens what is at stake in this health care reform effort.

So we are attempting then to do a number of things at once. We're attempting to educate ourselves, educate the American public, come up with a credible set of cost and savings projections, and create a policy that will reassure the American people that they will continue to have access to the best possible health care. They will be secure in their access, but there will be changes in the way health care is delivered so that we can begin to try to discipline the health care system and its costs that will eventually benefit all of us.

So those are the kinds of multiple goals often times difficult to describe but always -- (inaudible) -- that are driving this process.

And my final word on an introductory basis is this: There are many good ideas about how to reform the health care system. And you have heard from two of the leading advocates for the need for change. You just heard from Dr. *Dreyheart and *Entopin. What the process the President has begun, is attempting to do, is to put together a workable solution that draws from a number of recommended proposals that will be understandable to the American people and will result in the changes we are seeking.

There will be plenty of opportunities for people to argue over the details. But I hope that as we argue over the details, we keep in mind the overriding imperative to change what we are doing now and to do so with the goals of controlling costs; providing universal access, because access and cost containment are inseparable; and to retain and improve quality.

If we keep those overriding objectives in mind, I'm confident that we can work out the details. We want you to be involved in helping us work out these details, because there are a number of issues on which your experience, both in the corporate world and as reluctant but necessary managers of health care, can be extremely beneficial.

But there is not any -- (inaudible) -- way to do this. There is not any easy to do this. There is not any universally acceptable way to do this that is real. There are lots of folks on the sidelines who are promising to be able to deliver on health care reform with no pain and no change. This amounts to one of the most important restructurings that you will ever be part of. If done right, which I'm confident it can be, it will also be the most important role that any of us will play in ensuring the long-term economic and social well-being of this country.

Thank you all very much. (Applause.)

I would love to be able to answer your questions or to describe further what we are thinking about, if any of you want to pose a question. And I would appreciate it if you identify yourselves, if that would be all right.

Q On the premise that disease prevention is one way to improve the cost efficiency of the system, do you have any encouragement in terms of your deliberation that delivery system as it relates, for example, to immunization or to delivery of services

to rural areas can be improved under the auspices of the plan that you're working on?

MRS. CLINTON: Yes, sir. Let me tell you where we believe we can make a big difference, because we are not just changing the way we finance health care, because the changes there are not going to be all that significant; we are mostly concerned with changing how we deliver health care, because we think for both quality and cost reasons that is the key.

We are looking to have the kind of standard uniform benefit package that Dr. *Entopin referred to at the end of his remarks, which will heavily emphasize primary and preventive health care; because we have had it backwards for so long now. We will pay for your hospitalization for cancer, and we will not pay for your pap smear or mammogram. We will pay for your being the victim of the increasing number of measles epidemic in our country, be we won't in our insurance system pay for much of the well child care and the immunizations that would hopefully prevent that more costly experience.

So in the benefit package that will be proposed by the President, primary and preventive health care will be a part of it. We think if we can begin to provide that primary care and begin to encourage more people to utilize it, because it is now reimbursable, we will in that way alone begin to lower a lot of the costs of acute care.

In addition, in rural areas, we believe that the kind of integrated delivery network of care that will be the result of the proposal that the President will make, will benefit rural areas particularly. There are many people in rural areas who do not have adequate access to health care at this time. We need to provide that access in two ways: We need to increase the number of practitioners and facilities; we need to change a lot of the rules that will enable us to do that; and we need to hook in rural providers into integrated delivery systems so that they are part of providing care on a continuum to residents of rural areas.

Let me just give you a few examples. We have had for the last year a system through Medicare, which has subsidized the graduate medical education of specialists. It is not, therefore, surprising that the specialists are now outnumbering by a substantial majority primary and preventive health care physicians. We need to change those incentives so that we can provide more of the kind of personnel that are required not just in rural areas but across the nation.

We also need to encourage the use of other medical care professionals, like nurse practitioners and physicians assistants. They are particularly important in rural areas, but there is also a role for them elsewhere. In order to do that, we have to do things like change the anticompetitive statutes of a number of states that have tried to keep many practices and procedures for the sole -- (inaudible) -- of physicians; or even if given the opportunity, to people who are under the direct control of physicians. We have to

skewed against rural areas as it is in many ways now, that we will create a better supply of medical care in those rural areas and begin to deal with a lot of the access problems that currently exist.

Q -- (inaudible) --

MRS. CLINTON: Yes, sir. In fact, regulatory reform and administrative reform are at the key of the cost savings that we think are within the system. I believe that it is a fair estimate to say that 20 to 25 percent of the costs that we currently have within the system could be better allocated, as well as eliminated.

Much of that is because of the point you make. We have over the last years, but particularly within the last 10 years, particularly within the Medicare and Medicaid system, have created a regulatory model in which checkers checked checkers, in which there is constant second-guessing about decisions that are made which have no value added to the delivery of health care or as the outcome of that delivery.

We believe that we will have to do two things simultaneously -- well, actually a million things simultaneously -- but two big things simultaneously. As we move on cost containment and universal access, we will be moving on eliminating a lot of the unnecessary regulation and paperwork and administrative bureaucracy that is now eating up a large portion of our health care dollars. There is no doubt that if we move, for example, as we intend to do, to a streamlined reimbursement system, that fuses, we hope, one form, but certainly very few forms, that we will save an enormous amount of doctor and other practitioner time as well as money.

The average physician is actually spending somewhere between 30 and 50 percent, depending upon the nature of his practice, on his income, on the kind of support services that consist of filling out forms, arguing with insurance companies over who pays for what, making sure that the proper kind of reimbursement protocols are met -- from the both private and the public third payers. That has to be gone. And it is one of our most important goals.

Now, the cost savings that that will generate will come over time. It will not be immediate. But we really believe that if we focus on that, we will be successful in saving billions of dollars.

And the other point I would make about the regulatory reform issue is that part of the reason we have -- engage in so much regulation over the past years is because there is this sense among all of us, whether we are private payers or public payers to the health care system, that there is a lot of unnecessary costs and flaws and abuses going on.

And there is now a growing realization as for the reasons why. And one can see it anytime one looks at a hospital bill. I saw it graphically illustrated the other day when someone sent me a bill for a relative's stay in the hospital and showed me the comparable cost in the marketplace of some of the items that were being billed for. And we all know about the $50 Tylenol. Well, we also know about the latex gloves, which you can go and -- (inaudible) -- wholesale and buy for $28. But if they're used when you're a patient in the hospital you'll be billed for maybe $100. Or for the foam rubber mattress that you can go and buy at some outlet for maybe $100, but you'll be billed $1,100.

Why is that happening? Is every hospital administrator in America a crook? No, of course, not. The reason it is happening is because we have so much uncompensated and undercompensated care being delivered in hospitals that you and I and our insurance companies are therefore billed, and the Medicare system is therefore

billed, to be able to pick up the slack. That difference between the $100 and the $1,100 for the foam mattress pays for somebody showing up who is uninsured at the emergency room and being treated for something they should have been treated for all along at much less cost to the primary and preventive health care system.

So we have to begin to rid ourselves of the regulation that has attempted to try to control this unsuccessfully and move toward much more administrative simplification, which I think is going to be the primary goal -- (inaudible) -- administrate the changes -- (inaudible).

Q -- (inaudible) --

MRS. CLINTON: My answer is yes, I believe more is necessary. And I don't know whether it will have as significant an impact as some people argue it will. We have looked exhaustively at every study that has been engaged in. And as Robert Reischauer, the head of the Congressional Budget Office, testified in Congress recently, the -- (inaudible) -- for saving are in the ballpark. I mean, you've got a low of $2 billion, which are studies that are obviously favored by -- (inaudible); and you have a high of $40 billion, which are studies obviously favored by physicians.

The truth is somewhere in the middle. I don't know that we will ever know where it is. But the facts are that for whatever reason and for whatever combination of factors, the medical malpractice system has had an impact, an adverse impact, on the cost of practicing certain kinds of medicine, absolutely. Obstetricians are often viewed as the primary victims of this, and have had an impact -- again, incalculable -- on the proliferation of checks and procedures.

There is, however, a much more important reason for the proliferation of tests and procedures, and that is the whole fee-for-service system where we pay on the basis of tests and procedures. When you are in the Medicare system, you get paid on the basis of how many tests and procedures you run, not on how well you treat this single human being and what kind of outcome you get.

So what role the malpractice system plays in increasing defensive medicine is -- again, I cannot tell you exactly. But we do need malpractice reform in order to weed out whatever that cost is. And we intend to come forward with that.

Q I'd like to ask a question about a more narrow area, specifically the diseases of alcoholism and chemical dependency. In the last three years as a result of the application of -- or maybe misapplication of managed care -- people are being denied the ability to go for treatment for these diseases. The net result is 40 percent of the rehabilitation beds in this country have been closed in the last -- months. How does your benefit package deal with these important diseases?

MRS. CLINTON: That's an excellent question. And I have to say, this is a prefatory remark. Alcohol and drug abuse are not only problems in and of themselves, they are contributing in underlying cost problems within the entire system. I became interested in this when I began to look at lengths of stay in hospitals and compare like kinds of injuries among the same kind of people -- a, you have two four-year-old white males had been burned severely, go into the hospital; where there is an underlying alcohol problem it takes 10 to 12 days longer for the treatment to be effectual. So we are therefore, in effect, paying more for the underlying alcohol problem, even though we're treating a burn problem.

So this issue is not just an alcohol, drug issue, it is a much deeper and more -- (inaudible) -- health care problem. We intend in the comprehensive benefit package to provide for mental health treatments and substance abuse treatment. We are very conscious of the experience that a number of the corporations in this room have had in trying to monitor effective mental health and substance abuse treatment. But we believe that providing it as a comprehensive benefit will create a bigger and more effective market than we have currently have.

When Mrs. Betty Ford came to visit me recently to talk about the Betty Ford Clinic, she brought with her documentation showing that the cost of the Betty Ford Clinic, which is generally acknowledged as a very successful treatment center, is substantially less than many other treatment centers that don't have the same kind of positive outcome. And yet many people because of the celebrity connotations associated with that, would assume otherwise. And there has been very little base information on which to make good management decisions about the kinds of programs that really work effectively.

And I would just throw in an additional point here. We also need to be looking at ways that we can deal with some of the hard-core problems represented by the severely addicted and severely mentally ill. And here is a perfect example of why it is important for us to move in a comprehensive way at once, if one looks at the mentally ill community.

Twenty-five or more years ago, actually in the late 1960s; I think it was a combination of a Johnson-Nixon policy -- we made the decision to deinstitutionalize the severely mentally ill. And we were going to have home-based and community-based care for them. We did the first part of this, and we never did the second. The results are lying on the streets and in the parks of every one of our cities.

We, therefore, need to think clearly about how to deal with these severe problems in an effective way. And we are looking at the creative ideas of such things as treatment with conditions, so that people who receive treatment and then fail to follow through, we will have to look at more -- perhaps more restricted confinement, where if they are a danger to themselves and others, or where they could possibly are public health dangers, such as the growing tuberculosis epidemic.

So I hope that if we move forward in this policy debate, substance abuse and the mentally ill will be seen as part of the comprehensive problem that needs to be resolved.

Q Mrs. Clinton, building on that, you mentioned that there's -- (inaudible). How much is the President's proposal going to cost? What do your models say, and how do you propose or how will he propose to allocate those funds?

MRS. CLINTON: Well, I assume since I'm talking to a group of business executives and off the record, unlike talking to people on Capitol Hill and off the record -- (laughter) -- and what I say to you will not be immediately told to the press because I want to be as straightforward as I can in this process. I am learning that that is a very difficult matter. (Laughter.)

And -- (inaudible) -- to my experience, because the other day in a bipartisan meeting that was an exceptionally good meeting where there was a lot of good give and take and a great deal of honesty on all sides, I explained where we are in this cost issue, and one participant in the minority, but with his own agenda -- (inaudible) -- contact and carried off his particular point into the sunset. It's a real shame. I just -- (inaudible) -- as I come from

a primarily private sector experience, I wish you all would just take a minute and imagine what it is like to try to make important decisions with people peering over your shoulders who are running their own agendas, and may therefore not keep in confidence whatever you tell them from minute to minute. It makes public life very challenging.

So what I would like to say, given those ground rules is that we don't have a final number, as I said in my very opening remarks. And I'm not going public with any numbers until I can absolutely defend them and not be ticked off by somebody saying you forgot assumption 942, which throws you off by $10 billion.

We see two things happening simultaneously. If you look at how we achieve universal access and cost containment at the same time, there are very few options available to us. We can either move towards an entirely government-funded system -- and I know there are some among you that advocated a large VAT in order to achieve that government-funded system, in part because you believed that you would be better off competitively if you were out of the health care business. But if you look at what it would cost to replace all of the dollars currently spent in the private sector to support health care in this country, the amount of a VAT would be extremely large. There is some variation as to how large. Some people say a 17 percent progressive VAT that would eliminate food and rent and utilities would be required. Others say if it were progressive, it would have to be 22 percent -- within 17 to 22 percent range. A regressive VAT that included food, rent, and utilities would perhaps be in the 8 to 10 percent range.

That is one alternative. There is another alternative which is a government-financed system that keeps some private base, but adds a VAT. And people have come forward with a proposal for that, which is approximately a 7 percent employer-paid roll with a 7 percent VAT to try to get the equivalent dollars.

The President has rejected both of those for policy reasons, for substantive reasons and for political reasons. It just seems that it is very difficult to describe to the American people why we would need a huge general tax increase to fund our health care system in a more effective way when we believe there is a tremendous amount of money within it that can be better utilized in ways which can be eliminated.

So if we're not going to move toward a general government-financed tax-based system, then we have the various alternatives that fall under the broad rubric of a premium approach, whether it is a pure premium in which there is some kind of mandate for insurance obligation on the individual and the employer, whether it is a premium as a percentage of payroll, there are a number of possibilities there.

And then there -- our third alternative, which we do not believe will solve our problems, which talk in terms of mandating the individual, either through a medical IRA or some other means, to go out and get his or her own in[illegible]

combination, because of their direction relation to health care costs -- that the whole package of investments would be about $100 billion. And that is not $100 billion in new taxes, but it is $100 billion in new funding that would go into the system.

At the same time, we believe there is approximately $100 billion in public and private savings that would be -- (inaudible) -- realized almost immediately. So what we are attempting to be able to do to show you and to show your colleagues around the country is that for most of the businesses in this room, and maybe all of the businesses in this room, we believe that within a relatively short period of time, your real costs of health care would decrease. We believe we would stop your escalating costs and begin to decrease the costs that you currently pay.

One model that we are looking at is a model in which we do require all employers of whatever size to participate through an employer contribution and the acquisition of health care for all their employees and require all employees to make a contribution.

If we phase in what we believe will be the decreases that many of you will realize with the new requirements on the smaller businesses, we think we would get to a level of -- (inaudible) -- in terms of a premium-based payroll percentage that would be about 7 to 8 percent of payroll. I bet there are not many of you in this room that are paying only 7 or 8 percent of payroll for health care right now. We know that some of the car companies are at 20 percent of payroll. And we know that some of the older manufacturing industries are at 15, 16 percent of payroll. And many of the rest of you are at 10 to 12 percent of payroll.

There are large sectors of the economy that utilize large numbers of first-time workers that are not at 7 percent of payroll; as well as small businesses that currently do not make a contribution.

In addition to health care reform, however, we think you will not only get savings because everyone will finally be contributing, which will stop the cost shifting, stop requiring you to run health care businesses on the side to try to keep your costs down, but we also intend to fold into health care reform the health care portion of workers compensation and automobile insurance. If you add to what you are currently paying for health care, your workers comp -- (inaudible) -- your auto insurance-health care costs, I think we will be able to show you that it will be greatly to your economic advantage to support the kind of plan we are putting together.

Most small businesses currently provide some kind of insurance. The number is about two-thirds. And one of the points we have begun to make to the small business community is that the small business that is currently providing health care, it sits on some main street in Norfolk or Newport News, next door to a small business that does not. It's subsidizing the next door business, because the health care payments that the first make keep the hospital in the

I cannot give you this exact number until the end of next week when we finish all of our economic work, but we really believe that the gross investments will be offset by savings of an equivalent amount. Now, that will require action by the government as well as the private sector. So let me just give you two more quick examples to illustrate my point.

Medicaid currently provides health care for two categories of people generally: there is the Medicaid disabled population. Those are people with chronic disabilities under 65, often confined to a nursing home. And there are the Medicaid-funded nursing home patients. And we have some fairly good evidence, we think now, that the right kind of managed care will benefit the Medicaid disabled and -- (inaudible) -- less money, because there has been some very good models that have shown how we can achieve better quality care at less cost with that population.

The other category that is primarily children, if one compares what we pay for the Medicaid child health care, with either an insured child or an uninsured child who seeks comparable care, we pay a lot more for the Medicaid child care. There are a number of reasons but the principal reason usually is because they seek care from the most expensive source. The emergency room is the family's doctor.

By bringing Medicaid immediately into this comprehensive system and imposing the same kind of competitive discipline that we think will work with the rest of the system on that population so that they are part of integrated delivery networks, they are eligible to get access to a primary preventative health care physician, we will save an enormous amount of money that you will no longer have to subsidize, both directly through taxes and indirectly through your insurance premiums.

And a second quick example is that if one looks at Medicare, Medicare has done through regulation a job over the last several years of trying to control prices. One of the results of their attempt has been that volume has increased to a great extent. If we leave Medicare outside this system completely, where it is not -- not a part of the comprehensive health care reform, we will not get an end to kind of cost savings from the entire system that we want. So we will eventually, we hope, be able to move toward phasing in Medicare as well. And once everybody is in the system with their various payment sources, we think the total cost of the system will not only stabilize at the frightening figure of 14 percent GDP, which it currently is, and not go with the 19 percent projected for the year 2000, but begin to decrease. And so that is where we are coming from and looking at an employer-based system building on what we have but with that kind of approach that we think will save all of you money.

Q -- (inaudible) -- it's been suggested by some that during the transition period, and where we are today -- (inaudible) -- some form of inner price control would be required. Can you comment on that?

(inaudible) -- but I would argue a very patriotic thing to do at this point in our country's history.

And as you know, from -- (inaudible) -- prospective, several major institutions have come forward with just such a proposal that the administration is looking at very carefully; because it would be our preference to avoid price control if we can do so. But we also know that in addition to the responsible members of the health care industry, there are many who do not air that -- (inaudible) -- and will be intent upon pushing the system to the limits because they are afraid of the new discipline that any reform would impose.

So we are considering looking at voluntary price freezes with legislative stand-by authority that could be triggered. The only reason we would do so is to try to stabilize the system where it is now; to try to send a message to the American people that not only the President is concerned about this but even the responsible people within the health care industry are concerned about this. They all know what a crisis it is. And these will be sun-setted or lifted as soon as we have made a substantial enough transition to this new system that we think will work. That is -- (inaudible) -- the administration is thinking about.

There are those in Congress, as the majority of the American people, who believe that price controls are the answer to health care reform. That is how they view it. They believe that everybody's made a tremendous amount of money off of the system in the last years.

And so there is a tremendous political pressure to impose price controls and do so as the answer to health care. The President obviously doesn't buy that. But some effort to try to stabilize prices while we move toward a new system, hopefully in a truly effective voluntary way, may be sought.

Q The good news is that in the first quarter we are seeing a dramatic reduction in our suppliers, both pharmaceutical and surgical supply; 89 percent -- (inaudible) -- year-to-year price increasing. I'm confident that the labor-intensive health care provider side of the -- (inaudible) -- of health care system that we can also bring down labor costs two to three to four percent year-to-year increasing. My big concern is how we win with voluntary or mandated global budgets if over 50 percent of our business will be frozen for up to two years as Congress is passing -- the House has -- on the Medicare portion. It's just impossible to do, you can -- (inaudible).

MRS. CLINTON: Let me say two things about that. And I don't mean this to be critical but just as a comment. It's an interesting comment on the market that any sector of the economy can drop prices so dramatically in such a short period of time. I think that that is a very salientary point to keep in mind, which is why I think some kind of voluntary action is entirely within the realm of the economically feasible for most sectors of the health care economy.

Secondly, global budgeting, as the administration considers it, is a fail-safe mechanism. If a competitive market really works so that suppliers and deliverers of health care truly are competing and don't have the kind of range of options to be able to pick and choose their prices without much fear of any accountability because they have no discipline then imposed upon them in the marketplace, then we won't need budgets.

I don't think the country, though, can take the chance that that will work immediately. We have a lot of cultural and attitudinal changes that have to take place in this entire system starting with the individual and going up institutionals.

So I believe that a budgeting system that sets targets and gives a realistic view to the entire country of how much this country is willing to spend on health care, which is allocated in at the state level, will have varying effects on individual hospitals depending upon where they stand currently within their own budget disciplines.

I can't answer what the exact impact of freezing GRGs and some of the other Medicare changes that the President is proposing will be in the short run, but we hope that we will begin to be able to move away from a lot of that regulation so that hospitals and doctors together will make the right decisions for patients. But we think that there has to be some sense of a budget within which those decisions should be made; that until the market in this sector of the economy -- and from my prospective, the market hasn't worked either in health care or in higher education financing or in a lot of other surface areas, effectively -- so until we can get more effective market mechanisms that work in this industry that had been immune from the market, I don't see how we can count on the people who are currently within it even effectively dealing with the changes in the absence of a discipline of a budget. So that's where we are.

Thank you.

END

DRAFT -- October 18, 1993 (Monday) — 12:14pm

THE ECONOMIC EFFECTS OF HEALTH CARE REFORM

Testimony of Laura D'Andrea Tyson

Chair, Council of Economic Advisers

Senate Labor and Human Resources Committee

October 19, 1993

Thank you, Mr. Chairman, for the opportunity to come before your Committee to discuss the economic effects of health care reform.

The United States is facing a health care crisis. The rapidly rising cost of health care hurts businesses, depresses wages, and contributes to fiscal imbalance. The average working American will be charged, directly and indirectly, over $7,000 for health care in 1994. The lack of health security makes many individuals afraid to leave their current jobs, discourages others from working for small businesses or becoming self-employed, and keeps people on welfare instead of working.

Reforming health care is a difficult challenge, but one that we must face. Let me first outline the problems that force us to take action, and then I will move on to the economic effects of the Health Security plan.

DRAFT -- October 18, 1993 (Monday) -- 12:14pm

Why Reform Health Care?

There are four reasons why urgent health care action is needed.

The first problem is that our health care system does not provide security to individuals. When people get sick, the cost of their insurance can increase dramatically, or they can be dropped from coverage completely. This situation is a result of risk selection practices on the part of insurers. Insurers spend large amounts of money trying to select good health risks, and avoid bad risks. This practice is profitable for any one insurer but is socially wasteful. After all, someone must cover the costs incurred by people who get sick. The result is that many people cannot get coverage, and many more fear for their ability to get coverage in the future.

The second problem with our health insurance system is that it interferes with the employment decisions of individuals. Almost 40 percent of insurers exclude pre-existing conditions from their coverage of newly insured people, thus locking people into their current insurance policies and jobs. Up to 30 percent of employees feel "locked" into their jobs. Others do not form small businesses or become self-employed because of the difficulty of obtaining insurance. Finally, many people remain on welfare because they will lose their Medicaid coverage if they take a job. If we are to adapt to changing domestic and international economic circumstances, we must not penalize people every time they change

or lose a job.

The third problem with our health care system is that the number of people who do not have access to affordable insurance is large and expanding. Over 37 million people do not have health insurance. And this is not a predicament unique to the unemployed. Three-quarters of all uninsured people are in working families, and over one-third of the uninsured are in families with at least one full-time year-round worker. We have a system in which millions of people, many of them in working families, cannot afford the rising costs of health care coverage, and they face the risk of being financially crippled by events beyond their control.

It is a myth that insured people do not need to worry about the uninsured. Under our current system, when the uninsured face catastrophic costs, the insured pick up the bill. Currently, the uninsured pay only 20 percent of the health care costs they incur, while the privately insured pay 130 percent of their actual health care costs. According to recent estimates, there will be about $25 billion of "uncompensated care" paid for by the insured in 1994. Providing health insurance for all Americans could therefore generate savings that amount to almost 10 percent of existing health insurance spending.

The fourth problem with the health care system is that health care costs are high and rising. No other country in the world spends more than 10 percent of its GDP on health care. The United States spends 14 percent. The United States spends more on health

care than on fuel oil, electricity, natural gas, other household operations, oil and gasoline, transportation (including all new and used care purchases), furniture, and other household equipment combined. Even though health care inflation has moderated during the last year, it is still three times as rapid as overall consumer price inflation.

Health care spending per working American will be over $7,000 in 1994. American workers will, on average, pay $1,864 directly for health care in 1994. Their employers will pay an additional $3,409. And Federal, State, and local taxes for health care will total $2,149.

Empirical research suggests that businesses generally respond to higher health care costs by lowering the wages they pay to their employees. Similarly, the taxes required to pay for government health spending are born to some extent by workers in the form of lower wages. Thus, if employer contributions to health insurance had remained constant at their 1975 share of compensation through 1992, and if employers had passed these savings on to workers, real wages per worker would have been over $1,000 higher in 1992.

The fifth problem with our health care system is that it is riddled with waste, excess supply, and inefficiencies. Despite our massive commitment of resources to health care spending, the United States ranks 21st out of 24 countries in infant mortality and 17th in life expectancy for men (16th for women). We lose an estimated $80 billion a year to fraud and abuse. Over 5 percent of our total

health care spending--approximately $45 billion or $0.25 out of every $1 in hospital bills--covers administrative expenses and paperwork. As many as one-third of common medical procedures may be unnecessary and inappropriate. Hospital prices continue to rise even though hospital beds are in excess supply in many parts of the country--defying the laws of supply and demand. HMO experience indicates that the cost of medical care can be cut by as much as 10-20 percent without reducing the quality of care.

In addition, recent evidence published in the New England Journal of Medicine (March 4, 1993) showed that in 1989, after adjusting for differences in age and gender, medicare payments for doctor's care per beneficiary varied from lows of $872 in San Francisco and $954 in New York to highs of $1,637 in Fort Lauderdale and $1,874 in Miami. If Congress arbitrarily slashed medicare reimbursements for Miami physicians by a global 20 percent, Miami physicians would still be absorbing 57 percent more medicare dollars per beneficiary than would their colleagues in New York. Do we really believe that this cost differential can be justified by differences in quality of care?

These diverse indicators paint a compelling picture of the inefficiency and waste in our current health care system. Perhaps the most important economic reason for reform is to improve the efficiency of this system. This in turn will make resources available to cover the uninsured and to address our other pressing economic and social needs.

DRAFT -- October 18, 1993 (Monday) -- 12:14pm

The Economic Effects of Reform

The Health Security plan addresses these fundamental problems with the current system. It will lower costs, provide security, increase job opportunities and increase the efficiency of the economy. Many businesses will see their costs fall, and many others will have access to coverage previously denied them. Slower cost growth will allow workers to enjoy faster growth in their real wages, and reduced job lock will increase workers' ability to find better jobs. Let me describe what I believe to be the important economic effects of health care reform.

First, many employers who currently offer health insurance will see their costs fall immediately. Under the Health Security plan, every business and individual will receive health insurance. Eliminating uncompensated care in the current system will lower costs to businesses that provide care, thereby making resources available for increased wages or additional hiring. Eliminating corporate "free riders" will also reduce spending for companies that currently provide health benefits for their employees and for their spouses who are not covered by their own employers.

Second, the Health Security plan gradually lowers aggregate business spending on health insurance. Although the business sector as a whole will initially pay more for health insurance, the reduction in health care cost growth lowers the growth of premiums over time. In fact, by the end of this decade, preliminary estimates indicate that aggregate business spending on services

covered by the Health Security plan will fall by $10 billion.

Businesses can do many things with the resulting cost savings. They can: hire more workers; raise wages or provide better benefits for existing workers; invest in more plant, equipment, education and training, and research and development; increase dividends to shareholders; or lower prices, thereby leaving consumers with more income to spend on other goods. Each of these outcomes will have a stimulative effect on the economy and will increase employment. Economic research has not reached clear conclusions about how to apportion these effects. Almost all models suggest that wage increases are a likely response, but they differ about whether all of the savings will result in wage increases. Nevertheless, the effects of lower health care spending are clearly beneficial for the economy.

Small businesses will particularly benefit from the Health Security plan. Currently small businesses that provide insurance face administrative costs of up to 40 percent, while large businesses face costs of only 5 percent. Under reform, administrative costs for small firms will fall by up to 25 percent. Additionally, many of those currently insuring small firms will receive discounts on their premiums.

Although small businesses that do not currently provide insurance will pay more, they are likely to receive discounts to make health care affordable. There is a common myth that small businesses cannot afford to pay anything for health insurance. In

fact, many small businesses report they would like to provide health insurance for their employees if it were more affordable. According to a recent study for the NFIB performed by Charles Hall of Temple University, 64 percent of small business owners would like to provide some or better insurance for their workers. When asked why they do not offer insurance, the most common response (65 percent) was that premiums are too high. Ninety-two percent of small business owners agree that the cost of health insurance is a serious business problem. Under the Health Security plan, with affordable health insurance and discounts for small businesses, this will no longer be the case.

Third, the Health Security plan will result in greater employment in the health care sector in the short run and a more efficient health sector in the long run. With the increase in the number of insured Americans and the decrease in the administrative burden of health insurance, there will be a significant expansion of employment of health care providers and a decrease in employment of health administrators and insurance workers. By 1996, as many as 400,000 net new jobs will be created in the health sector. As the cost savings of the plan begin to accrue, employment in the health sector will grow more slowly, although there will be no absolute decline in the number of employees.

Over time, the health sector will become more productive. This benefits all of us. We will be able to have the same or better health care as well as more investment, research and

development, or just plain goods and services.

Fifth, the efficiency of the economy will also be increased by reducing job lock and welfare lock. By providing health care security, the reform will give workers the freedom to move to jobs where they might be more productive without having to worry about losing their health insurance. Small firms should particularly benefit from this, since they often have the hardest time attracting highly skilled workers. In addition, firms may be more willing to hire workers with pre-existing conditions because the new system does not penalize individuals with a prior illness. This allows for better, more efficient matches between employers and employees and increases the efficiency of the economy.

Some workers may decide to leave the labor force completely when there is continuous health coverage. Evidence suggests that about 350-600,000 people will decide to retire early under health care reform. This increase in voluntary retirement may increase employment opportunities for younger workers.

The Shortcomings of Existing Studies on the Employment Effects of Health Care Reform

As you know, some have claimed that the Health Security plan will cause substantial damage to the economy. There is no denying that some firms and individuals will pay more than they did prior to reform. In particular, the Health Security plan will increase costs for some young, single individuals as well as for firms that

did not previously offer health insurance. The vast majority of Americans, however, will benefit from the reduction in health insurance costs, the portability of coverage, the lower administrative costs, the reduction of job lock, the lower costs for small businesses and the self-employed, and the reduction in welfare lock. In addition, as already noted, many employers, both large and small, currently providing insurance will enjoy lower costs immediately and the business sector as a whole will enjoy lower costs within three years of the plan's full implementation.

There are some studies, including an often cited study by June and David O'Neill, that criticize the Health Security plan as a job-destroyer. I believe these studies are riddled with error and inaccuracies. First, they completely overlook the discounts for small and low-wage businesses provided by the Health Security plan. The lack of discounts -- coupled with the questionable assumption that firms cannot shift any costs to workers earning less than $25,000 per year -- lead directly to massively exaggerated estimates of job loss. Additionally, in the O'Neill study, employers are assumed to pay the full premium for all workers who work more than 20 hours per week. In the Health Security plan, however, employers pay a much smaller, pro-rated premium for part-time workers.

Second, the studies assume a premium for the benefits package that far exceeds the premium for the Administration's benefits package. The O'Neill study assumes that employers pay a premium of

$5,310 per worker with a family and $2,160 per single worker. Estimates for the Health Security plan, however, suggest that employers will pay about $2,500 per worker with a family, and about $1,500 per single worker. These estimates take into account the fact that many families have two adults in the labor force, and that each working adult will have an employer contributing to health care coverage for the family.

These studies also assume that business employment decisions are three to six times more sensitive to increases in the costs of hiring labor than most conventional estimates. The O'Neill study, for example, assumes that firms will lay off 3 percent of their workforce if employee compensation rises by 10 percent. Summary estimates in the economic literature suggest that the employment response might be only one-sixth to one-third as large.

Finally, and most importantly, the existing studies do not allow for any new job creation in businesses whose costs will fall as an immediate or gradual consequence of reform.

In fact, real-world evidence from Hawaii suggests that the job loss claims in studies like the O'Neill study are exaggerated. Hawaii imposed an employer health insurance mandate in 1974. Since the 1970s, total private non-farm employment has grown by 80 percent in Hawaii, compared to 54 percent in the Nation as a whole; and retail and wholesale trade employment have grown by more in Hawaii in the Nation as a whole. Although we cannot extrapolate from these results and make sweeping judgments about the national

impact of an employer mandate, the experience of Hawaii appears to contradict the conclusions of studies suggesting that such a mandate will destroy jobs.

Additional evidence from recent literature on the effects of increases in the minimum wage on employment also calls into question such conclusions. We estimate that under reform the increase in health care costs for currently uninsured low-wage workers in small firms is equivalent to a very modest increase of $.15 to $.35 per hour in the minimum wage. This will leave the real compensation cost for minimum wage workers below its average level in the 1980s. Research by Lawrence Katz at Harvard and Alan Krueger and David Card at Princeton finds that recent increases in the minimum wage have had minimal or even positive effects on employment. These results lead us to conclude that the O'Neill study greatly exaggerates the effects of reform on the employment prospects of minimum wage workers.

Summary Conclusions on the Likely Economic Effects of Health Care Reform

Neither the models nor the data are available to yield a precise estimate of the employment effects of health care reform. In many other areas of economics, there are models that have been tried and tested for decades, and economists generally place a good deal of faith in the outcomes they predict. Standard macroeconomic

models, for example, can make reasonably precise predictions about how a tax increase or a spending cut will affect aggregate output or employment.

But there are no existing models that allow us to predict the employment effects of health care reform with the same degree of precision. This is because the appropriate model for such an exercise would have to make distinctions both between firms that currently provide insurance and those that do not and between the many ways that firms in either group might respond to a change in their health care costs. Such a model would also have to predict how individuals might respond to new incentives in the plan, particularly those affecting small business creation, job mobility, welfare lock, and retirement.

In the absence of an appropriately specified model, one can generate either small net positive or small net negative effects on employment with existing models depending on the assumptions one is willing to make--demonstrating the old adage that you get out what you put in. Not surprisingly, several private-sector economists have concluded, as we at the CEA have concluded, that the net effect of our health care plan on the aggregate employment level is likely to be small. This is because although there are some factors in the plan that will tend to decrease employment, there are others that will tend both to increase employment and to change its composition. These offsetting factors are likely to cancel each other out, although over time as business spending falls below

baseline, the factors encouraging an increase in employment are likely to strengthen.

On balance, I am certain that the Health Security plan is good for American business and the American people. It diminishes job lock, welfare lock and self-employment lock. It gets health care costs under control. It guarantees security to all Americans. And it reduces waste and inefficiency in one-seventh of our economy. Reorganizing our health care system to use our scarce resources more efficiently will help us realize our goal of receiving higher living standards for ourselves and our children.

I will be delighted to answer any questions that you may have at this time.

California Hospital Association Remarks
October 13, 1993

I'm 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. California hospitals have a truly unique understanding and appreciation of the problems with our health care system, and the urgent need for reform.

First, hospitals and hospital Associations like yours have been models of constructive policy making in the health care debate. Your organization has helped educate policy makers on the need for reform, and has consistently focused on the overarching goals, highlighted the areas of agreement, and been committed to working together through the areas where we disagree.

Second, California has its own place of honor in the health care debate. While California may be three hours behind us on the clock, California has been years ahead of Washington in recognizing what's right about American health care-- what works -- and moving the California health care system in that direction. We continue to learn from California's shift toward more efficient, organized delivery systems, from your successes in pooling consumers and businesses together to guarantee choice and hold down costs, and from your innovations in prevention and health promotion.

I know that you in this audience understand and appreciate the need for health care reform. You know full well what the problems are, and you know that solutions are out there. I personally am comforted by the fact that we in Washington have spent a great deal of time studying this issue, you in California have done the same, and we have come out at pretty much the same place.

We agree that any serious health reform proposal must provide universal coverage. And every American must be secure in knowing that he or she has access to a comprehensive set of benefits that can never be taken away.

We agree that reform should build on the existing employer-based system that works well for most Americans, and involves the least disruption from our current system for financing health care.

Your proposal calls for restructured delivery, local

accountability, real and enforceable cost containment. It calls for reduced bureaucracy, changes in anti-trust laws and malpractice reform. In each and every area, we echo your call.

But as this audience knows well, there is more than one route to the same destination, and there are different approaches to many of these goals. When it comes to health care reform, the devil is in the details. I'd like to focus today on the specific solutions the President has proposed, and talk through some of the implications for hospitals like yours.

The first principle is security. All Americans need the comfort of knowing they have a comprehensive set of health care benefits that can never be taken away. Under our proposal, every American and legal resident will receive a health security card, guaranteeing them coverage. The promise of universal coverage will strengthen America's hospitals. It will mean that fewer people seek health care too late because they couldn't afford to see a doctor. It will mean that fewer people use emergency rooms for cuts and bruises and flu shots, because they had nowhere else to go. And perhaps most importantly, it will mean that fewer people will walk through your hospitals' doors with no means to pay for the care you provide them.

There is no question that universal coverage solves many of the problems your hospitals face. But there is also no question that it does not solve all of them-- many of your hospitals have special concerns. For one, many of the patients you currently see are not in this country legally, and will not be guaranteed the same coverage as Americans and legal residents. Secondly, hospitals serving small, rural counties face provider shortages and rely heavily on the public programs that pay for the health care. While I cannot tell you that these problems will go away entirely, I do think that this proposal goes a long way toward addressing these needs.

For one, federal funds will continue to be targeted to hospitals that serve undocumented residents. While we will call for a reduction of so-called "disproportionate share" payments under reform as a result of extending coverage to millions of the patients your hospitals now serve, we will continue federal funding to the hospitals burdened by uncompensated care. In addition, the expansion of public health and prevention programs will mean that everyone in this country, regardless of immigration status, will have access to immunizations and other preventive services that are essential to protecting the health of everyone. By providing new funds for community health centers, and by allowing them to compete for the expanded base of privately insured residents, they should have greater financial

strength and a continued ability to serve those in the community without coverage.

Rural concerns are also addressed in our proposal. No longer shall these communities go underserved. We realize that a health security card means little to a family that has no access to a doctor, so we propose a number of specific initiatives to expand the availability of care in these regions.

New workforce initiatives will include tax incentives, increased reimbursements, retraining, scholarships and loan forgiveness programs.

Technical and financial assistance will be available to speed the development of rural-urban networks, including grants for academic health centers to develop an infrastructure of information and referral services necessary for rural health networks to remain up-to-date.

Similar grants and loans will also be provided to facilitate links between local practitioners, community hospitals and academic health centers. Such links set the stage for integrated practice networks or community-based plans.

Eventually, under universal coverage, funds that in the past have been sapped to compensate for the uninsured, will be redirected to ensure further rural outreach, such as follow-up, home visits, transportation, and child care during office visits.

The second principle is simplicity -- stripping away the useless layers of rules, regulations, paperwork and confusing redtape to create a leaner and more navigable health care system. Hospitals today are buried under a crush of paperwork generated by the more than 1500 private insurance companies and the various government health programs.

You face a never-ending set of requirements from peer review organizations, government inspectors, industry regulators, bill coders and fiscal middlemen. It's ridiculous -- hospitals treat more paper than patients, and the paper drains time and money better spent on providing care. Last month, the President visited The Children's National Medical Center in Washington, and the administrators there told him that if they could be freed from the paperwork that has nothing to do with quality, nothing to do with patient care, the pediatricians on staff could each see 500 more children a year. Well, we want to free you up to do that. Streamlined paperwork requirements

will lower your administrative costs, and allow you to focus your staffs away from the file cabinets and back to the bedside. Standard claims forms and electronic data systems will streamline your billing, boost efficiency, and lower overhead.

Health Alliances will be organized according to this same principle. People wrongly assume that the proposed health alliances will lead to more bureaucracy. As you have demonstrated here in California, health alliances provide more services at lower costs. Your state public employee program is one example -- stripping away middlemen -- the underwriters, the marketers, the benefits managers -- and directly connecting those who pay for care with the health plans who provide it.

The third principle is savings. As I've traveled around this country meeting health care professionals and listening to their ideas on reform, I have yet to meet one hospital admistrator, one doctor or hospital nurse, who doesn't believe there's tremendous waste in today's health care system, and that significant savings are achievable.

I know that many hospitals-- perhaps many of you in this audience-- are concerned that our savings targets are too aggressive. But we have been careful and conservative in our estimates, and judging by the results in California and other parts of the country that have pooled purchasing, introduced competition, and boosted efficiency in health care delivery, we know our estimates are realistic, and can be reached without harming the quality of health care or the facilities that provide it.

Our main mechanism for slowing the growth of costs comes from increasing the choices and bargaining power of health care consumers. This approach has proven very successful in California, as groups like the Health Insurance Plan of California and The California Public Employees System have offered a wide choice of health plans, and have experienced cost increases well below the national average. CalPERS has seen cost increases average 1.5% this year-- about <u>one seventh</u> the national average. We want to bring this approach to the rest of the country, and couple it with other cost-saving measures like reducing administrative load, cracking down on fraud, reforming malpractice laws and changing reimbursement incentives to reduce unnecessary tests and procedures.

Let me be clear: we believe that significant savings will result from these reforms, and should bring costs within the targeted growth rates we propose. But we believe that cost control has to be guaranteed, so we propose

reinforcing the competitive forces with a fail-safe limit on premium increases. These limits, which would only apply to plans that bring growth targets above the target, will serve as a reinforced incentive for savings.

We also believe that as long as we control costs in the private sector, we can and should control spending on the public side, through the Medicare and Medicaid program.

It is irresponsible public policy to continue to squeeze down on these programs absent reforming the whole system. During the budget debate the administration opposed an "entitlement cap" for this very reason. The cap would have forced reductions in the Medicare program -- whether or not we accomplish overall health care reform controlling private sector health care costs -- and whether or not beneficiaries and hospitals could be protected from a decrease in services or needed revenue. But we believe that in the context of this whole package, we can slow these costs while protecting your institutions and allowing time for these savings targets to be realized.

In fact, research conducted in your state indicates that hospitals respond to increased cost pressures with resilience-- cutting expenses and increasing efficiency. California hospitals faced strong competitive pressures and prospective losses from PPS, and actually cut their costs by 4.3%. This plan does not call for cutting spending, neither in Medicare or in the private sector, but for slowing the rate at which spending grows. We think that is achievable, and, in the context of overall reform, responsible policy.

Additional principles are choice and quality. Increasing choices is inherent in our shared approach to reform, as is maintaining and improving the high quality of American health care. We will reorient the way quality is measured in the system, freeing you of regulatory micro management and providing you with better tools and information for constantly improving outcomes. And as part of our quality initiative there is a strong commitment to academic health centers-- the vanguard of our health care system-- with the promise of increased federal funding, including the support of research conducted at these research institutions.

I'd like to close by talking about the final principle the President set forth as a guidepost for reform -- responsibility. This is central to our approach: the Health Security Plan asks all Americans to contribute something to the betterment of our health system. It ties into everything we've talked about.

It asks employers to provide every worker and their families with a health plan that provides comprehensive coverage of their health care needs. In return, the plan provides small businesses, and all low-wage firms, federal premiums discounts to make the cost of that coverage affordable.

It asks our doctors and hospitals to reduce the rate of growth in their costs so that health care is affordable. In return, the Plan offers them millions of additional paying patients, the virtual elimination of charity care, and a significantly simplified system of administration.

It calls for slowing the growth in Medicare, and increases benefits to Medicare recipients-- including coverage of prescription drugs-- in return.

Most importantly, responsibility has to mean that all of us are in this together, because health care reform is not just about eliminating paperwork and bureaucracy or making the antitrust laws make sense, or reaching universal coverage on paper. Health care reform is about reinstituting a sense of compassion and caring into our society. It is about why you went to medical school, or why you went into the health profession. It is about common sense, practical judgements about our economic piorities. Health reform is about putting our national house in order.

Too may times in the past, individuals and interest groups and the government have marched to the edge of health care reform only to cower in fear and shrink away. You and I know the result of this inaction; you see it everyday -- our problems have only gotten worse.

Now we have a real chance to fix this problem once and for all, and we need your help. We need your help in your communities as the primary care givers. We have witnessed the empassioned commitment you have already demonstrated to the cause of reform and the tenacious manner in which you continue to actively participate in this process.

I look forward to working together as we move in the direction many of you have urged for so long. Together, I know we can and will make this lasting contribution to the health and security of this nation. Thank you.

Healthcare Speech General
POTUS

HEALTH CARE SPEECH

Introduction

President Clinton has been in office for just over a year now, and we have already seen him move our economy in the right direction, start to restore our sense of security and begin to renew America's spirit.

This President is dedicated to the proposition that people that work hard and play by the rules should be rewarded for their work.

That's why he introduced a reemployment initiative to help people get good jobs with growing incomes. That's why he passed the Family and Medical Leave Act so good workers can be good parents. That's why he expanded the earned income tax credit to reward work over welfare.

And that's why he's dedicating himself to fixing this health care system -- to provide hard-working families with the health security they deserve.

This year we have a magic moment. After 60 years of false starts and obstruction, we have an opportunity to give every American health security. This is an opportunity we must seize.

Opponents of reform are trying to tell you there's no health care crisis, but they're wrong. [Chart 1]

The fact is: Even if you have good health insurance today, you can lose it tomorrow. Two million Americans a month lose their insurance. And fifty-eight million Americans find themselves without insurance at some point during the year.

Your benefits are threatened by insurance company fine print. Eighty-one million Americans have "pre-existing conditions" that insurers can use to raise rates or deny coverage. And three out of four insurance policies -- that's 133 million people -- have lifetime limits that cut off benefits when you need them most.

Even if you've got insurance, you know you're paying more and getting less. And your choices are declining. I'm here to tell you how the President's reform will protect you and your family from a future of being squeezed -- getting lower-quality care, fewer choices and higher bills.

[Chart 2]

America faces three choices: government insurance for everybody, no guarantee of coverage for anybody, and guaranteed private insurance -- which is the President's approach. And the President has told the Congress he will veto a bill which doesn't cover everybody -- because without guaranteed private insurance for everyone, it's not real reform.

The bottom line is this: the President wants to strengthen what's right about our health care system and fix what's wrong.

We know the system is broken. We know that all of us are at risk of losing our coverage at any time. Here's how we want to fix it.

We want to guarantee private health insurance for every American;

We want to protect your right to choose your own doctor and health plan, and improve the quality of your health care;

We want to outlaw insurance company abuses;

We want to protect and dramatically improve Medicare;

We want to guarantee health benefits through the workplace, because that's the best way to cover everyone.

Guaranteed Private Insurance For All

[Chart 3]

The President believes that everyone must be covered. Always. That's the only way to guarantee security. As long as any of us at any time can be denied coverage or dropped from coverage -- none of us is secure. And as long as Americans who have insurance pay the price for those who don't have insurance, we'll never get costs under control.

He's also said that the benefits package must be comprehensive. [hold up Health Security card] Under the President's proposal, every American will get a Health Security card that will guarantee benefits as good as what America's biggest companies offer -- as good as what members of Congress get. Plus preventive care -- immunizations, mammograms, physicals -- and prescription drugs. We must keep our people healthy, not just treat them after they get sick.

And Americans must have protection against the devastating costs of serious illness. That means low deductibles and no lifetime limits on your benefits. People must have the peace of mind of knowing that no matter what happens, their health care can never be taken away.

Choices Preserved and Expanded

[Chart 4]

The President wants to preserve and expand your choice of doctor and health plan, because that's the best way to guarantee high quality health care.

But choice and quality are threatened today. If we do nothing, rising costs will force more and more employers to limit your choice of plan and doctor.

Under the President's approach, your Health Security card guarantees your choice of doctor. Once you get your card, **you** -- not your boss or insurance company -- choose your doctor and health plan. It can be a plan that lets you use any doctor or hospital that you want. Or it can be a plan that lets you use a network of doctors or hospitals. Or, you can join an HMO. It's your choice.

The special interests are trying to scare you on this issue in order to block reform. But remember that they're trying to preserve their profits. And don't let them stand in the way of your health security.

Outlaw Insurance Company Abuses

[Chart 5]

We want to guarantee affordable insurance that people can depend on. The President's approach would make it illegal for insurance companies to raise your rates unreasonably... to drop your coverage or take away your benefits... to increase your rates if you get sick... to use "lifetime limits" to cut off your benefits... or, to charge you more simply because you are older or have a pre-existing condition.

If we do nothing, or worse, pretend to do reform, you will continue to be at the mercy of the insurance companies. And you'll continue to pay more and get less.

Insurance ought to mean what it used to mean. No more fine print. No more insurance company abuses. You pay a fair price for security, and when you're sick, your health care benefits are there for you -- no matter what.

Protecting and Expanding Medicare

[Chart 6]

The President believes very strongly that the true test of health reform is whether it's good for older Americans. That's why his proposal preserves and dramatically improves Medicare. And the American Association of Retired Persons (AARP) says that the President's approach is the "best option for senior citizens."

Under the President's approach, if you get Medicare you keep it. You keep your doctor if that's your choice. Plus, your benefits are expanded. People receiving Medicare will get coverage for prescription drugs, which costs older Americans more than anything today. And we also begin to provide coverage for long term care at home or in your community.

The President wants to make sure that every penny of Medicare money is used for seniors. Some want to take Medicare money away from seniors and spend it on other things. That's why we must fight with the President for health care reform that protects Medicare and older Americans.

Insurance Through The Workplace

Finally, if we're going to cover everybody, the best way to do it is to guarantee health benefits at work. Every job should come with health benefits. Most jobs do today. And yet 8 out of 10 Americans who have no insurance are in working families.

[Chart 7]

We want everyone to have health benefits guaranteed at work, with the government providing discounts for small businesses and the unemployed. This approach builds on what works. And it's the easiest and simplest way to accomplish our goal of guaranteed private insurance for everyone.

Providing health benefits at work not only makes sense; it's also the right thing to do. Today people on welfare get guaranteed health insurance while people with jobs may or may not be covered. That's wrong. People who work should have health insurance.

If we are to guarantee this, we must protect small businesses -- and the President's approach does just that. The President wants to provide discounts for small businesses, and full tax deductibility for people who work for themselves.

That's how we make sure that everyone is covered. Anyone who works will get coverage at work. Employers will be asked to contribute, as will employees. The government will cover those between jobs, and will continue to cover older Americans with Medicare.

Conclusion: The President's Reform Works For You

The President's reform works for you and your doctor. That's why the people on the front lines -- America's largest associations of family physicians, pediatricians, nurses and pharmacists -- support it and believe it will work.

Opponents are trying to confuse the issue by making it seem more complicated, but it's really pretty simple. You'll get a Health Security card, you'll pick any doctor you want, fill out one form, and know exactly what's covered. And your health security can never be taken away.

[Chart 8]

Guarantee everyone private insurance. Keep your choice of doctor. Outlaw unfair insurance company abuses. Protect Medicare. And guarantee health benefits at work. That's the approach. And this is our opportunity.

No wonder the special interests -- the people who profit off today's crazy system -- are out in full force. One group of health insurers has already spent $14 million -- money from your insurance premiums -- on TV ads to scare you about reform.

But the President didn't design health reform for the insurance companies -- he designed it for you. And we must not let the insurance companies stand in the way of real reform.

Presidents from FDR to Harry Truman to Nixon to Carter have tried to guarantee insurance to every American, but none have succeeded -- because special interest groups have been just too powerful to overcome. But this time, if we work together, I am convinced things will be different.

This time, we will make history and guarantee private insurance to every American. I ask you to join with me and help do what is right for America. Thank you.