

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo w/attach	Chris Jennings, Steve Edelstein to Hillary Clinton Re: Meeting with Senator Jeffords (6 pages)	6/28/93	P5

COLLECTION:

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

FOLDER TITLE:

[HSA]- Senator Jeffords

gf139

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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M E M O R A N D U M

TO: Senator Nancy Kassebaum
Andrew Patzman

September 30, 1993

FR: Chris Jennings
Health Care Congressional Liaison to the First Lady

RE: Experimental Procedures

Mrs. Clinton asked me to take a moment to clarify the answer she gave you at the close of yesterday's hearing. She was concerned that she may have misspoken when answering your question about the policy our health reform proposal would set with respect to coverage of experimental procedures. She wanted to dispel any ambiguity that may have been imparted to you in her answer.

In general, it will be up to the plan and its providers to make the determination when experimental procedures are medically necessary and appropriate. The benefits package covers the routine medical costs for patients whose treatment is part of an approved research trial. The National Board will be charged with monitoring advances in medical technology and will be able to revise the guaranteed benefits package over time to reflect these advances. Consequently, a procedure that is considered untested and experimental today may, in five years, become incorporated into standard, accepted medical practice. In such a case, the Board could direct all plans to include such a procedure in their covered benefits.

The Alliances, as purchasers of health insurance, will not play a role in setting or revising the guaranteed benefits package. However, they will need to take care to only contract with licensed plans which, by definition, must cover the guaranteed benefits.

Mrs. Clinton and I hope this helps to clear up any confusion that was left on this matter. She enjoyed seeing you again and she looks forward to many more health care conversations with you.

PHOTOCOPY
PRESERVATION

SENATOR DANIEL PATRICK MOYNIHAN

What are the trade-offs and benefits for those people now covered by Medicaid who would not be entitled to Medicaid under the new system you propose?

- The Health Security plan offers real benefits to people covered by Medicaid. First, and foremost it guarantees them the same comprehensive benefits and the same choice of plans as everybody else.
- It also eliminates welfare-lock, by allowing people to move from welfare to work with the assurance that they will still have coverage.
- There is a concern that about what happens to benefits offered by some state Medicaid programs above those offered in our comprehensive benefits package. We make sure that Medicaid beneficiaries still have access to these services by continuing a supplemental program to cover this care.

SENATOR GEORGE MITCHELL

Many in the Senate have been asserting that the Clinton plan will cost \$600 billion in new spending, we know this isn't true, but what exactly is the breakdown?

- I appreciate the opportunity to clarify this issue which has generated some confusion and misunderstanding.
- We project for that over the first seven years of the program, it will require \$609 billion in federal dollars.
 - \$259 billion is money the federal government is already spending on coverage for working people on Medicare and Medicaid. Their coverage will now be paid for by their employers and this money will be redirected to the alliances to help pay for their care.
 - \$169 billion is needed to insure that health insurance premiums are affordable for small businesses and people with low incomes.
 - \$80 billion goes to pay for the new home and community-based long-term care services.
 - \$72 billion pays for the new prescription drug benefit under Medicare to improve security for older Americans.
 - \$29 billion is spent on public health initiatives and administration of our program.
- So in reality, the actual figure is \$350 billion over the first seven years of the program.

SENATOR BILL ROTH

How will Seniors and Federal Employees have access to the plan?

- Seniors will continue to enjoy the security that the Medicare program provides with the addition of new benefits for prescription drugs. It will remain a separate program.
- Over time, once the new system is successfully up and running, as seniors turn 65 and become eligible for Medicare they will have the option of remaining in their health plans through the alliance or joining traditional Medicare.
- The Federal Employees Health Benefits Program is very much a model for our plan. That program will be folded into to the new system with federal employees entering health plan offered in their area. They will continue to enjoy a wide choice of high quality health plans much as they do today.
- They will also benefit from an increase the government's share of the contribution from 72 to 80%.

SENATOR MAX BAUCUS

Q: Won't small businesses be driven under by the employer mandate?

A: Two-thirds of small businesses currently cover their employees. For these businesses, health care reform will mean a chance to expand and create new jobs. The Wall Street Journal calls the plan "an unexpected windfall" for small businesses.

Some people say that this proposal is going to hurt small businesses. And it's important to keep in mind that my critics are right on one important point: asking all employers -- including low-wage small businesses -- to provide comprehensive coverage for their employees without discounts would be unreasonable. But that's not what my plan is -- my plan provides **discounts of between 30 and 80%** for small businesses, depending on the average wage of their workers.

Most small businesses will receive a windfall because they will be getting substantial discounts compared to what they pay now. Studies show that **the fastest growing small businesses are the ones that provide health insurance.** So they will be able to create new jobs and expand their businesses.

You see, the whole problem with the way people get insurance today is that **the insurance companies have all the power, and small businesses and consumers get the short end of the stick.** My plan changes the market to give small businesses and consumers more bargaining power and really put them in the driver's seat.

A lot of small businesses that don't provide insurance want to -- they just can't afford it. Listen to Diane Welch of San Jose, California -- she owns an Italian restaurant there with 40 employees. She says -- this was in the newspaper a few days ago -- that she is looking forward to my proposal because it has bothered her that she and her husband couldn't afford to provide coverage for their employees. With the discounts, health care would finally be reasonable, she said. And she said of the price: "It's something we could definitely handle."

Let's look at what a low-wage small business might pay. For a small business whose employees make an average of \$12,000 a year, they would only have to pay \$420 a year per employee to get their employees comprehensive health benefits. In today's market, they might have to pay as much as \$4000 per year per employee, but after reform, it's affordable because of the discounts which we are proposing for small businesses. Now compare that to the average big business, paying \$2200 a year for each employee. We're talking about a discount of 80% for the small business.

When we look at what effect this will have on small businesses, one interesting example is Hawaii. Hawaii passed a plan in 1974, the Prepaid Healthcare Act, that requires all businesses to contribute to the cost of their employees' health insurance. But small businesses have continued to thrive. In 1991, Hawaii was the nation's third fastest-growing state for small businesses, and Hawaii's unemployment rates are consistently among the lowest in the country.

QUESTION:

I opposed the President's budget proposal to lift the wage cap on contributions into the Medicare trust fund, although it was enacted anyway as part of reconciliation. How can you now turn around and propose a wage cap on health insurance premiums for the under 65? Won't some people end up paying more for their Medicare payroll tax than they pay for their current health plan?

ANSWER:

- ▶ Mr. Chairman, while I very much appreciate your concern for the Medicare program and the integrity of its financing, I do believe the issues are separable.
- ▶ Medicare is a payroll tax funded program. It is a pay-as-you-go system. Young workers pay a tax to cover the expenses of today's retirees. Years from now, tomorrow's retirees will be supported by the generations behind them. The proposal we made in Reconciliation was meant to shore up the solvency of the Medicare trust fund for years into the future. That was an important change.
- ▶ In our health reform plan, by contrast, each individual is responsible for paying their own health insurance plan premium. If they work, their employer will contribute toward that premium. If they are low income, we will subsidize that premium. And if their employer is a small business or low wage firm, we will subsidize that contribution, too.
- ▶ We chose this method because it is the way people under 65 purchase health insurance coverage today.
- ▶ It is possible that some high income people will pay more in Medicare taxes -- or more in income taxes or more in their home mortgage -- than they do for their health insurance premium. We must be careful not to compare apples and oranges in weighing the significance of these differences.

QUESTION:

If you are planning to issue plastic "Health Security Cards" for every American, why can't you issue plastic Social Security cards to everyone?

ANSWER:

- ▶ Mr. Chairman, I must confess I haven't spent that much time studying the issue of a permanent Social Security card, so I would defer to your judgment and that of Social Security Commissioner nominee Shirley Chater in this area.
- ▶ With respect to a health security card, as with any health insurance card that is used regularly -- even many times in a month for some people -- durability will be an important consideration.
- ▶ Furthermore, we envision that information would be encoded on the card that also would need to be accessed regularly -- such as information regarding plan enrollment, the status of one's deductible, and so on.
- ▶ Finally, we hope that the Health Security card will give Americans the same sense of security they now feel with respect to the Social Security system. In addition to its utilitarian purposes, the card is an important reminder to everyone that they have comprehensive health coverage that can never be taken away.

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LARGE EMPLOYERS AND HEALTH CARE:

Questions and Answers

- Q. My company already offers health insurance that provides low cost, affordable care. Will it be able to continue and will I be able to remain outside of the health alliance?
- A. As long as they adhere to national standards for choice, quality, and comprehensive affordable care, companies with more than 5,000 employees will be able to act as their own health alliances. As the regional alliances prove their ability to reduce costs and provide high quality health care, larger companies will have the opportunity to join the regional alliances.
- Q. I'm afraid that the new system will not really control costs. How can I know this approach will control costs?
- A. In the last five years, health care costs for employers have risen almost 15 percent every year. That's why a tough approach to controlling costs is a cornerstone of the Health Security plan. Providing health care to every American and a comprehensive benefits package will cut the cost of uncompensated care. Stimulating competition, increasing consumer awareness of the cost and quality of their health care, streamlining administration, and changing workers' compensation and auto insurance health coverage will dramatically reduce costs nationwide. In addition, premium increases in the whole system -- including Medicare and Medicaid -- will be limited as a backstop to contain costs. This will bring to health care the kind of discipline which is commonplace in business.
- Q. How will this plan end cost-shifting that drives up health costs?
- A. Today, large businesses are charged for the many weaknesses in the health care system. They pay higher premiums to cover the cost of treating patients who do not have insurance and for public health care programs, such as Medicaid. Major employers also purchase insurance for their workers' spouses, who often work at companies that don't provide health benefits. That creates a system that isn't fair. The Clinton plan for health reform will relieve large business of these burdens.

THE AMERICAN HEALTH SECURITY ACT
HELPS THE PROBLEMS OF LARGE BUSINESSES

1. Reduces the costs of insurance for employers
2. Increases jobs by improving workers' health, security, and mobility
3. Gives businesses market clout as purchasers of health care
4. Preserves the tax deductibility of health insurance
5. Gives businesses access to high quality health care
6. Reduces the administrative burden on business
7. Provides discounts to many businesses
8. Reduces the high cost of early retirees and makes U.S. manufacturing companies cost-competitive
9. Preserves a local health care system
10. Provides an economic foundation for businesses to prosper in the future

1. Reduces the costs of insurance for employers.
 - The cost of insurance for businesses' health costs have risen at an annual rate of almost 15 percent. Under reform, these costs will be brought under control by increasing competition in health care, increasing consumer awareness of the cost and quality of their health care, reducing administrative cost and limiting increases in premiums. The business sector as a whole will gain savings as the rate of cost growth slows.
 - Today, many employers are paying over 10 percent of payroll for health insurance. Under reform, all employers in the regional health alliances will pay no more than 7.9 percent of payroll.

Today, employers that insure their employees bear a large "cost shift" (amounting to \$25B) from the uninsured. Under reform, that burden is lifted.

- Today, in many cases, employers pay the entire insurance bill for a family, while the employees of a worker's spouse pays nothing at all. Under reform, the costs of families are spread over all firms.

2. Increases jobs by improving workers' health, security, and mobility.

Businesses will enjoy numerous benefits from having an insured work force in the form of reduced costs of absenteeism, turnover, training and errors. Additionally, the plan makes health insurance "portable." Plans will be prevented from excluding individuals with pre-existing conditions and all employees will be insured against potential catastrophe. This increases the mobility of workers, the flexibility of employers, and contributes to increases in employment nationally.

3. Gives businesses market clout as purchasers of health care.

Today, many businesses are disadvantaged as purchasers of health insurance. By pooling their resources in large purchasing groups, businesses will benefit enormously from the economies of scale, purchasing power, administrative simplification and sophistication of the alliances.

4. Preserves the tax deductibility of health insurance.

Employer premium payments will continue to be tax-deductible for employers and will not be included in employee's taxable income. Employers are free to continue for 10 years to offer whatever benefits they are offering today and to deduct these payments from their taxes. In ten years, when the benefits package is fully phased-in, it will offer as much as the best plans today.

5. Gives businesses access to high quality health care.

Given the cost of health care for businesses today, many can afford to offer only bare-bones insurance, if any, to their employees. In the future, all businesses and their employees will have access to a comprehensive benefit package equivalent in quality to the best plans that are available today.

DIETARY SUPPLEMENTS

SENATOR HATCH:

I would like to ask you a question about Dietary Supplements. Millions of people have found vitamins, minerals, herbs and other supplements to be essential to protect their health. Yet these consumers are concerned that the Food and Drug Administration is going to take away their supplements.

I have introduced a bill which is cosponsored by more than half of the United States Senate, which would guarantee the availability of these products. What will the Administration do to insure that people will be able to use dietary supplements to decrease their chance of illness?

POSSIBLE HRC RESPONSE:

- Senator Hatch, I agree with you that dietary supplements can be valuable in promoting health. I believe in vitamins and take them on a regular basis. I believe that the decision to use these products should be left largely to American consumers. As long as supplements are safe, people should have the right to purchase them.
- But I am sure that you share my concern about false and misleading claims that some have made about these products by those who are attempting to make money off of sick and desperate people. We need to strike the proper balance between getting accurate information to people about the value of these products and prohibiting false and misleading claims.
- The Clinton Administration looks forward to working with you on how best to achieve this balance.

SENATOR KASSEBAUM

1) On experimental procedures, who will make the decision, and based on what criteria?

- Our doctors and hospitals deliver the highest-quality care in the world. That's because we have long encouraged research into new cures and treatments for diseases.
- We'll continue to encourage innovation, but we want to also ensure that patients are protected from both the costs and the dangers of experimental procedures that are unsafe.
- Approved research trials achieve both goals -- they advance medicine and lead to new cures and treatments, but they're also safe. The comprehensive benefits package covers the routine medical costs for patients whose treatment is part of a research trial. So, if your child needs a bone marrow transplant and that's approved, your child will have the benefits of the best that science has to offer and you will have the comfort in knowing that your child is in safe hands.
- The National Health Board will have the authority to add new procedures to the covered benefits as they as proven safe and effective.

Draft note to Nancy Kassebaum

Dear Sen. Kassebaum,

I wanted to take a moment to clarify an answer I gave you at the close of yesterday's hearing. I am afraid I misspoke when answering your question about the policy our health reform proposal would set with respect to coverage of experimental procedures.

In general, it will be up to the plan and its providers to make the determination when experimental procedures are medically necessary and appropriate. However the National Board will be charged with monitoring advances in medical technology and will be able to revise the guaranteed benefits package over time to reflect these advances. Consequently a procedure that is considered untested and experimental today may, in five years, become incorporated into standard, accepted medical practice. In such a case, the Board could direct all plans to include such a procedure in their covered benefits.

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