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Cabinet Briefing Materials [4]

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To: Distribution
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Re: Seniors Week Materials
Date: February 10, 1994

Attached is a packet of materials for seniors week(s) to be used by Administration officials, members of Congress, and surrogate speakers. These materials should address most of the issues that people will face as we talk about how the President's approach affects older Americans.

The packet contains the following:

- Overview of how the President's approach affects seniors
- Medicare
- Prescription drug coverage
- Long-term care
- Medical research
- Questions and answers
- Supportive quotes from seniors advocates
- Comparison of alternative approaches
- AFSCME comparison of alternative approaches
- Families USA comparison of alternative approaches
- Sample seniors op-ed
- Op-ed by Ron Pollack of Families USA

The National Health Care Campaign has also prepared pamphlets that explain the effect of the President's proposal on older Americans. For more information, contact Maureen Atta at 863-7154.

HOW THE PRESIDENT'S APPROACH AFFECTS OLDER AMERICANS

- **Preserves Medicare.**

Medicare will be preserved and strengthened. Older Americans will continue to receive the same Medicare coverage -- with guaranteed security. Seniors can keep seeing the doctors they see today, with expanded benefits. And doctors and hospitals will not be able to charge more than what Medicare covers.

- **Expands Medicare to include prescription drug coverage.**

The plan offers prescription drug coverage as part of Medicare -- providing desperately needed protection for older Americans. For less than \$10 a month, older Americans will get protection against prescription drug prices that represent their highest out-of-pocket medical cost. An annual cap will be placed on out-of-pocket prescription drug costs, and above this amount, drug costs will be fully covered.

- **Covers home and community-based long-term care.**

The Health Security Act takes an important first step towards expanded coverage of long-term care by creating a new home and community-based long-term care program. It will help Americans who need long-term care live independently at home and in their communities -- which most older Americans, people with disabilities, and their families and friends prefer.

- **Guarantees security to early retirees.**

Under the Health Security Act, American workers who retire early will never have to worry about losing their health insurance. Today many of these Americans are vulnerable -- dropped from their coverage and not yet eligible for Medicare. Starting in 1998, early retirees will pay no more than their share of the premium that they paid as employees, unless they are single and have an annual income higher than \$90,000, or a couple with income of more than \$115,000. Companies must honor existing agreements that guarantee that their retirees pay nothing for health care.

- **Outlaws insurance company discrimination against older workers.**

Today, insurance companies pick and choose whom they cover -- and they charge older workers more than younger workers. These practices will be outlawed under the President's approach -- insurance companies must charge older workers the same as younger workers.

MEDICARE

- **Preserves and Strengthens Medicare**

Under the Health Security Act, older Americans will see little difference in where, how or from whom they receive their health care. And although every health reform proposal before the Congress calls for significant savings from Medicare, the President's plan is the only one that reinvests the savings in two new benefits for older Americans: prescription drugs and a new federal/state program providing home- and community- based long-term care.

- **Provides Prescription Drug Coverage**

Medicare beneficiaries will have 80 percent coverage for their medications after they reach a \$250 deductible. A \$1,000 annual cap will be placed on out-of-pocket prescription drug costs, with costs above this amount fully covered. Patients will receive counseling from their pharmacist on what medications are most appropriate.

- **Increases Choice for Medicare Beneficiaries**

For Medicare beneficiaries reform will mean more choices among health plans, and the ability to choose a plan which may offer lower copays and deductibles than traditional Medicare coverage offers today.

- **Protects Seniors Against Fraud and Overcharges**

The Health Security Act calls for new penalties to pursue and prosecute those who order unnecessary tests and procedures to defraud Medicare and senior citizens. In addition, the Health Security Act controls rising costs in both the private sector and Medicare.

- **Lowers Medigap Premiums**

For those who currently buy a Medigap policy to cover prescription drugs and overcharges, the Health Security Act will mean significantly lower costs. The plan stops doctors or hospitals from charging more than Medicare covers. And it prohibits insurance companies from using pre-existing conditions to exclude people from Medigap coverage.

PRESCRIPTION DRUG COVERAGE

"Any doctor who deals with the elderly will tell you that there are many elderly people who don't get medicine, who get sicker and sicker and eventually go to the doctor and wind up spending more money and draining more money from the health care system than they would if they had regular treatment in the way that only adequate medicine can provide."

-- President Clinton, speech to a Joint Session of Congress, September 22, 1993

- **Older Americans are hurt by high drug prices and no prescription drug coverage.**

Between 1980 and 1992, while the general inflation rate increased by 22 percent, drug prices increased 128 percent. For 3 out of 4 older Americans, prescription drugs are the highest out of pocket health care cost. Nearly two thirds of Americans over the age of 65 have no prescription drug coverage, and over eight million older Americans are forced to choose between buying food and medicine.

- **Prescription drug coverage will reduce overall costs in the long-run.**

Many older Americans and others are hospitalized today because their lack of prescription drug coverage means that they can't afford to get the medication they need. In fact, one study says that problems related to medication lie at the root of 25 percent of all hospitalizations of older patients -- and costs more than \$21 billion a year.

- **Medicare recipients will be guaranteed prescription drug coverage for the first time.**

Medicare beneficiaries will have 80 percent coverage for their medications after they reach a \$250 deductible. A \$1,000 annual cap will be placed on out-of-pocket prescription drug costs, with costs above this amount fully covered. Patients will receive counseling from their pharmacist on what medications are most appropriate.

Limit
\$1,000
\$3,000

2 options

- cap on bill
- 1. "high cost sharing" fee for service
\$250 deductible then 80% up to
\$1,500 indiv / \$3,000 family cap (100% after)
 - low cost sharing plan (HMO)
no deductibles - \$5/prescription
\$1,500 indiv / \$3,000 family (no \$5)

\$250 indiv.
\$400 family.
option
\$5
\$5 HMO

LONG-TERM CARE

- **Expands Home and Community-Based Care**

The Health Security Act will establish a new home and community based care program, enabling more than 2 million older Americans and 1 million Americans with disabilities who need long term care to live at home, independently, in their communities, or with family caregivers -- which most prefer. Services will be tailored to meet individual needs and could include such services as in-home care, personal assistance, respite for family caregivers, adult day services, rehabilitation, assistive devices, and services in assisted living facilities.

- **Protects Nursing Home Residents**

The Health Security Act will improve the quality of life for nursing homes residents. States will have the option to allow single nursing home residents to retain up to \$12,000 in personal assets -- up from \$2,000 today -- and the personal needs allowance for all Medicaid residents would be increased to a minimum of \$50 a month. Older Americans will no longer be forced to "spend down" their entire life savings to qualify for Medicaid.

- **Makes Private Long-Term Care Insurance More Affordable**

The Act will improve the quality of private long-term care insurance by establishing tough national standards that prevent insurance companies from denying people coverage or choosing only the best risks. New tax incentives, similar to those available for health insurance, will help make private long-term care insurance more affordable.

- **Encourages People with Disabilities to Work**

Individuals with disabilities who work will be eligible to obtain tax credits for 50 percent of the costs of personal expenses needed to work, up to \$15,000 maximum per year. This will provide more opportunity for people with disabilities to be further integrated into the workforce.

- **Provides Respite Services to Family Caregivers**

The President's approach will help family members care for relatives with disabilities with the long-awaited support they deserve, giving families a break when they need it most.

MEDICAL RESEARCH AND EDUCATION

- **Fights Alzheimer's Disease**

The Act increases funding to research into prevention and treatment for Alzheimer's disease, new drug therapies to treat Alzheimer's, and respite services to give those caring for a family member an occasional and much-deserved break.

- **Expands Research for Disease Prevention**

The President's approach will substantially increase funding to conduct and support research aimed at preventing diseases that strike older Americans. \$2.9 billion dollars will be dedicated to new prevention research , including research targeting:

- Alzheimer's disease
- osteoporosis
- cancers, including breast cancer
- heart disease and stroke.

- **Emphasizes Research for Elderly Health**

The National Institutes of Health will give certain areas of research special priority, including elderly health, substance abuse, and chronic health conditions (for example diabetes, arthritis, and heart disease). These efforts will go a long way to uncovering the root causes of many of the diseases that afflict older Americans, and discovering new treatments and cures.

- **Researches Effective Treatments**

The Health Security Act invests an additional \$2.85 billion in "health services research" -- evaluating the effectiveness and appropriateness of different procedures, and the quality of different kinds of care.

- **Makes Sure Older Americans Get the Medicine They Need**

Under the President's plan, coverage of prescription drugs is added to Medicare. As part of providing this new benefit, pharmacists and physicians will receive training about the appropriateness of certain drugs and their effects, and pharmacists will answer patient questions regarding the appropriate use of the drug, possible side effects, and potential interactions with other drugs.

Questions About the Health Security Act

Q: Will my Medicare coverage change?

You will receive Medicare benefits exactly as you do today, with the addition of prescription drug coverage. And you will have more choices. Different kinds of health plans -- which frequently have lower deductibles and copayments -- will be made more available on an *optional basis*.

Q: If I am covered by Medicare will I still be able to see my own doctor under the new plan?

Yes. You will always be able to choose your doctor, because Medicare will work just like it does today. After turning 65, they will have the option of enrolling in Medicare, or staying in the plan they are in.

Q: Won't there be rationing of care after reform?

Absolutely not. That's a scare tactic used by opponents of reform. The President's approach will give you the security of knowing that you can get the care you need when you need it.

Q: What about long-term care? Will I receive help with caring for myself or my loved one at home?

The President's approach recognizes that older Americans and those with disabilities prefer home and community based care -- the kind of care not covered today. The plan will provide greater coverage for long-term care for people with disabilities, including older Americans, through a new home and community-based care program.

Although nursing homes will continue to play an important role in long-term care, the President's approach recognizes that to best serve older persons and people with disabilities, long-term care must offer a wide range of social services. For example, the plan will help families care for relatives with disabilities by helping pay for respite services that give families a break when they need it most. The Health Security Act marks an important first step, moving us toward a more comprehensive system that has a wide range of options for older Americans and people with disabilities.

Q: I know many people who need long-term care. How will the long-term care benefit be distributed?

The new long-term care benefit will be available to persons with severe disabilities of all ages, regardless of income. Each state will design a program to best meet the needs its citizens. Eligible older Americans may receive home care, personal assistance or other services. The plan also supports family members who often serve as the only source of care for their loved ones.

Q: Will the plan help with the high cost of prescription drugs?

Yes. The Health Security Act will help cover prescription drugs -- older Americans' highest out-of-pocket expense. For less than \$10 a month, Medicare beneficiaries will get 80 percent coverage of their medications after they reach a \$250 deductible. All out-of-pocket costs above \$1,000 will be fully covered. And patients will receive regular counseling from their pharmacist on what prescription drugs are most appropriate.

Q: Will reducing the projected rate of the growth of costs in Medicare and Medicaid affect my benefits?

No. In fact your benefits will be expanded. The reduction in the growth of the cost of Medicare and Medicaid will happen at the same time as costs are controlled in the private sector. These changes to the program will reduce the rate of growth of inflation by one third and enable us to control the price of health care. But it won't involve any reduction in services or cuts in benefits. Fraud and inefficiency have crept into the system, and we will make a determined effort to get rid of this waste, using the money to expand benefits.

Q: I currently have supplemental insurance. Will I still receive benefits in the Health Security Act?

Yes. If you have supplemental insurance through Medicaid, you will receive the same Medicaid benefits under the Health Security Act that you do now. If you get supplemental insurance through a Medigap policy, you can still get that policy. But for those who currently must buy a Medigap policy to cover prescription drugs and overcharges, the Health Security plan will mean significantly lower costs.

Seniors Advocates Support the President's Approach

THE AMERICAN ASSOCIATION OF RETIRED PERSONS BELIEVES WE SHOULD START WITH THE PRESIDENT'S PROPOSAL:

John Rother of the AARP says that the President's plan is the "best option for senior citizens." He also says that alternative plans put forth by conservative Democrats and Republicans "don't go far enough in improving Medicare." [St. Petersburg Times, 11/4/93]

OLDER AMERICANS WILL BENEFIT:

"The elderly in general come out winners, partly because of benefits on prescription drugs and long-term care," said John Rother of the American Association of Retired Persons (AARP). [Washington Post, 11/2/93]

"When you add up the benefits and the costs, it's a terrific deal for seniors." [James P. Firman, United Seniors Health Cooperative, 2/15/94]

"The proposal promises many vital improvements for older Americans, including prescription drug coverage in Medicare, early retiree coverage that is secure and affordable, enhanced quality measures, and increased choices for families and individuals." [Daniel Thursz, Chairman, Leadership Council of Aging Organizations, 10/15/93]

BROAD RANGE OF ADVOCATES SUPPORT THE PRESIDENT'S APPROACH

The President's proposal is "the best thing for older Americans since Medicare was first created," said Dr. Arthur Flemming, President Eisenhower's Secretary of Health, Education and Welfare. [quoted in "Rest Assured: The Clinton Health Reform Protects Older Americans," by Ron Pollack of Families USA]

"It is above all, a uniquely American plan which seeks to integrate abiding American concerns for equity and fairness with realistic means of achieving universal coverage, ease of access, and controls of excessive and inappropriate costs." [Dr. Paul Kerschner, Executive Director The Gerontological Society of America 9/23/93]

"...the NCSC strongly supports the broad thrust of the Clinton plan."
[National Council of Senior Citizens 10/27/93]

"The National Council on the Aging applauds the President's approach to health care reform." [Daniel Thursz, President National Council on the Aging 9/22/93]

"None of the other proposals on the table offers families any real long term care protection." [Stephen McConnell, Chairman, The Long Term Care Campaign 11/2/93]

THE CLINTON APPROACH PROVIDES NEW BENEFITS FOR OLDER AMERICANS, THE OTHER PLANS DON'T

Preserving Medicare vs. Raiding Medicare to Cover the Uninsured

Virtually every health reform proposal being considered on Capitol Hill calls for slowing the growth in spending on Medicare and Medicaid and using the savings as a source of financing for reform.

The President's approach reinvests that money in new benefits for older Americans. Other approaches use Medicare and Medicaid savings to extend coverage to lower-income Americans, or to reduce the deficit.

New Coverage for Prescription Drugs vs. No Help with Costly Medications

Today, millions of older Americans literally choose between medicine and groceries -- Medicare enrollees will not have true health care security until they receive coverage for prescription medications.

The President's approach provides Medicare beneficiaries with a new benefit so important to millions of seniors-- coverage for prescription drugs. No other approach gives seniors any help with costly prescriptions.

New Help with Long Term Care vs. No Help with Long Term Care

The President's approach creates a new home and community-based long-term care program, which will provide needed services to elderly and disabled Americans who would otherwise be at risk for entering a nursing home.

Other approaches continue to offer older Americans in need of assistance no choice but to enter a nursing home, rarely a first choice and always very expensive.

Fair Insurance Practices vs. Discrimination Against Older Workers

The President's approach outlaws the unfair insurance practices that cause older people to be charged more for insurance than younger people.

Other approaches allow insurance companies to remain in charge-- using age, health status or previous health problems as a reason to charge higher premiums or offer only barebones coverage.

Chafee

The Chafee proposal trims roughly \$213 billion from the Medicare and Medicaid programs, but it earmarks the savings to pay for government vouchers for the poor. The proposal does nothing to provide new benefits to older Americans. It does not guarantee any help with the cost of prescription drugs, though Senator Chafee said in a recent television broadcast that he thought it was a good idea. It does nothing to give new options to the millions of older Americans who want to remain at home rather than move to a nursing home.

Cooper

Congressman Cooper also proposes we pare back spending on Medicare and Medicaid, saving roughly \$219 billion over 5 years. The savings come in part from raising the Medicare premiums many elderly Americans now pay, but providing no help with costly prescription drugs, no help with long-term care, and no greater protection against impoverishment that now grips too many elderly in nursing homes. The biggest source of savings, and perhaps the greatest risk to older Americans under this proposal, would be the plan to shift spending for long-term care services currently shared by the state and federal governments completely to the states. Governors and other say they are already being bankrupted by their contribution to escalating long-term care costs, and could never afford the full burden of long-term care. Nonetheless, that's just what Congressman Cooper proposes, and if his bill became law, it could jeopardize the nursing home care and other long-term care services many vulnerable elderly now receive.

Testifying before the House Energy and Commerce Committee, the National Council of Senior Citizens summed it up this way: *"The Cooper/Breaux bill will eliminate all federal support for long-term care."*

Nickles

The Nickles bill makes several changes to Medicare that could make Medicare services cost older Americans more and give them no new benefits in return. Under the Nickles plan, the money saved from Medicare would go to expanding access for low-income individuals.

Michel

Congressman Michel's health reform plan also calls for significant savings from Medicare and Medicaid, and uses these funds for expanding access to low-income individuals.

Medicare HMOs would be more widely encouraged, as would other Medicare managed care plans. A new tax would be imposed on Medicare Part B premiums paid by upper income individuals. As with other plans, not one cent of these savings is spent on new benefits for older Americans.

This plan also proposes capping Medicaid spending, giving states a per-person amount and no more, regardless of how much care actually costs. Reducing the federal commitment to Medicaid could jeopardize access to long-term care services for millions of older Americans.

The National Council for Senior Citizens predicts: *the Michel/Lott bill, which simply cuts reimbursement rates for Medicare, will "make it harder for beneficiaries to find a provider."*

Gramm

The Gramm bill calls for an arbitrary Medicare savings figure based on assumptions that are backed up by nothing more than optimistic projections regarding the growth of health care spending. The plan calls for \$61.5 billion in Medicare savings over 5 years, a figure arrived at as: "half the savings from the President's plan." How are these savings realized? Unlike the President's plan, which spells out exactly how the savings are achieved with specific policies scored by the Congressional Budget Office, the Gramm plan does not say how they achieve these savings.

The specifics they do spell out paint a grim picture for older Americans: Medicare recipients would have the so-called "choice" of trading their existing Medicare coverage for enrollment in an HMO or for the purchase of catastrophic coverage and a Medical Savings Account. If individuals opt for one of these options, they are locked out of Medicare forever.¹

And because the Gramm bill does nothing to control spending in the private sector, the difference between private insurance rates and Medicare rates will become greater and greater, and many doctors may decide they can no longer afford to see Medicare patients, restricting their access to the providers of their choice.

¹ "Upon becoming eligible for Medicare (currently at age 65), individuals would have one year to decide whether or not to stay in the current Medicare system. The decision to opt out of the traditional Medicare program to employ any private health care coverage arrangement is final." Gramm summary, p. 3

COMPARISON OF HEALTH REFORM BILLS FOCUS ON RETIREE ISSUES



	Clinton H.R. 3600/S. 1757	Cooper/Breaux (R&D) H.R. 3222/S. 1579	Chafee/Thomas (R) S. 1770/H.R. 3704	Wellstone/McDermott (D) S. 491/H.R. 1200	Michel/Lott (R) H.R. 3080/S. 1533
Long Term Care (LTC) Benefits	Creates new home and community-based care program for disabled (cost-sharing of 10-25%). No means test. States will be able to raise Medicaid assets limit up to \$12,000 for disabled in nursing homes.	No new benefits. Medicaid would be phased-out for long term care assistance, leaving all LTC spending to the states' discretion.	No new benefits. Medicaid LTC continues. Medical savings accounts could be used for LTC expenses. LTC services would be tax-deductible medical expense if more than 7.5% of adjusted gross income.	Covers long term care—in nursing homes as well as home and community-based care—as part of basic benefits package. People over 65 would pay monthly premium of \$65 (younger people would pay through payroll tax) for LTC.	No new benefits. All LTC services would be treated as tax-deductible medical expenses if they exceed 7.5% of adjusted gross income.
New Medicare Benefits	Expands coverage to include outpatient prescription drugs (\$250 annual deductible & 20% copays up to a maximum of \$1,000 a year).	No outpatient prescription drug benefit. Would add colorectal screenings and some immunizations.	No new benefits.	Benefits package for <i>all</i> Americans would include prescription drugs, preventive health and full mental health coverage.	No new benefits.
Medicare/Medicaid Changes	Leaves Medicare intact as Federally-administered program. Eliminates balance-billing. Increases Part B premium by \$11 month to pay for new benefits.	Would increase Part B premiums by \$1.40 a month to pay for benefits named above.	Replaces current Medicare funding with per capita payments to states. Introduces means-testing of Medicare Part B premiums.	Medicare and Medicaid would be replaced with universal government-financed, single-payor health care system. No balance billing.	Would combine Medicare Parts A & B and continue to allow balance billing.
Early Retirees	Covers retirees age 55-65 in Health Alliances, with premium share of 20% (<i>bill provides universal coverage</i>).	No coverage of early retirees (<i>bill does not provide universal coverage</i>).	All Americans under 65 would be required to buy their own health insurance, including retirees. Low-income people would be exempt until sufficient system-wide cost-savings would permit the government to provide subsidies.	<i>Everyone is covered</i> , regardless of age.	No coverage of early retirees (<i>bill does not provide for universal coverage</i>).
Private LTC Insurance	Establishes Federal guidelines for long term care (LTC) insurance to standardize policies and regulate premiums. Also improves tax treatment of LTC expenses.	No reforms of private long term care (LTC) insurance.	Would set uniform standards for private LTC insurance, along with tax incentives for purchasers.	Prohibits duplicate coverage, making private insurance industry largely unneeded.	Would improve tax treatment of private LTC insurance.

Note: (D) denotes bill sponsored by Democrats; (R) is sponsored by Republicans; (R & D) is bipartisan sponsorship.

HEALTH REFORM: IS IT GOOD FOR GRANDMA?



Here is how the President's Health Reform stacks up against two leading substitutes: The Cooper Plan and the Chafee Plan

	CLINTON	COOPER	CHAFEE
DOES IT STRENGTHEN MEDICARE?	YES	NO	NO
DOES IT ADD LONG TERM CARE PROTECTION?	YES	NO	NO
DOES IT COVER PRESCRIPTION DRUGS?	YES	NO	NO
DOES IT CRACK DOWN ON DRUG COMPANY OVERCHARGES?	YES	NO	NO
DOES IT PROTECT OLDER WORKERS FROM INSURANCE DISCRIMINATION?	YES	NO	NO
DOES IT PROTECT YOUR CHOICE OF DOCTOR?	YES	YES	YES

Source: Families USA

SAMPLE OP-ED

THE HEALTH SECURITY ACT: **AN APPROACH THAT'S GOOD FOR OLDER AMERICANS**

Today, we stand at a moment of unparalleled significance in U.S. history. President Clinton has presented an approach to health care reform that will guarantee health coverage for every American that can never be taken away.

Our country has the finest medical care in the world, that's clear. But it is also clear that there is a health care crisis in America. Our health care system is broken, and it urgently needs to be fixed. The President's approach preserves what's right and fixes what's wrong, phasing in reform over a few years to make sure it's done right.

We must face up to this task. Today's health care system is rigged against families and small businesses, and the insurance companies are in charge. They pick and choose whom they cover -- and they've decided that 81 million Americans under the age of 65 have medical problems they label "pre-existing conditions" for which they should pay higher premiums or be denied coverage, and 58 million Americans will have no coverage at some point during the year. They use "lifetime limits" to cut off your benefits -- and although people may not know it, three out of four insurance policies have these things hidden in the fine print.

The President's approach will stop the insurance companies from controlling the system, and put people and small businesses in the driver's seat.

Because of Medicare, older Americans have better protection than most today. But there are still gaps. Nearly two thirds of Americans over the age of 65 have no prescription drug coverage. Most older Americans want to stay at home with their families if they need long-term care. But in today's system, many are forced into nursing homes because they have no way of getting the help they need.

Medicare will be preserved and strengthened. You will continue to receive your Medicare coverage -- with guaranteed security for years to come. You can keep seeing the doctors you see today, and your benefits will be expanded to cover prescription drugs, with 80% of all costs covered after a \$250 deductible.

The President's approach takes an important first step toward covering long-term care, helping Americans who need long-term care live independently at home and in their communities -- which most people prefer.

The President's approach also includes several important steps to protect older Americans from fraud and overcharges. Many older Americans are vulnerable to providers who order unnecessary or inappropriate tests and procedures, or bill the patient, bill the Medigap insurer, and bill Medicare -- defrauding Medicare and senior citizens and adding billions to our nation's health care bill. But the President is calling for new penalties to aggressively pursue and prosecute those who abuse the system. The Health Security Act also includes tough measures to slow rising health care prices, preventing doctors and hospitals from charging people more than the amount Medicare covers.

And all Americans -- young people, early retirees and Medicare recipients -- will have the security of health care that can never be taken away.

Some people in Washington are offering alternative reform proposals, but we should take a careful look at how these other proposals affect older Americans. For example, the President's approach uses Medicare savings to help older Americans buy prescription drugs and to provide new options for long-term care. Others use Medicare as a bank to pay other bills -- an approach which the President strongly opposes.

As the President said in his recent State of the Union address, "To those who would cut Medicare without protecting seniors, I say the solution to today's squeeze on middle-class working people's health care is not to put the squeeze on middle-class retired people's health care. We can do better than that."

There will be many attempts in the next several months to confuse and scare all Americans -- especially older Americans -- about the possible effects of reform. But older Americans should know that the President's proposal is a good deal for them -- helping with the cost of prescription drugs, creating more options for long-term care, and providing greater security.

The biggest threat to our health care system is doing nothing. If we do nothing, our benefits will be cut. If we do nothing, the cost of care will continue to skyrocket. And if we do nothing, millions of Americans will continue to live in fear that their health insurance will be taken away.

Now is the time to act, once and for all, to guarantee health insurance to every American, and to strengthen the coverage older Americans need and deserve.

REST ASSURED: THE CLINTON HEALTH REFORM PROTECTS OLDER AMERICANS

By Ron Pollack

"I'm saving that rocker for the day when I feel as old as I really am." Dwight Eisenhower used to say—and at 88, Arthur Flemming is the fulfillment of Ike's words.

Dr. Arthur Flemming was President Eisenhower's Secretary of Health, Education and Welfare, and, at 88, he's still saving that rocker for some day in the future. Today, Dr. Flemming is working to enact the Clinton health reform plan, which he sees as "the best thing for older Americans since Medicare was first created."

"President Clinton's Health Security Act will guarantee that you can keep your doctor—and also guarantee that Medicare will be strengthened and expanded," Dr. Flemming says.

After four decades of fighting for senior citizens, Dr. Flemming now sees the realization of a long-sought goal—providing the national community with a health plan—including a *strengthened and expanded Medicare*.

New Prescription Drug Benefit

"Older Americans will receive all the benefits they do today. In addition, Medicare will be expanded to cover prescription drug benefits, and there will be a new long term care program to cover home and community-based care," Dr. Flemming says.

"Except for wealthy seniors earning \$100,000 a year, older Americans will still have to pay only 25% of the total costs of the Part B benefits they receive—and that includes the wonderful new drug benefit," Dr. Flemming reports.

Long Term Care at Home

The new home care benefit recognizes the reality that millions of seniors have known for years—it's nearly impossible to provide round-the-clock care for a loved one without *some* help.

The Clinton reform strives to cover not just medical help, but all the other elements of decent and proper home care: paying for a home nurse, nurse's aide or other professional caregiver; making your home safer

for an invalid; homemaker and chore assistance, and adult day care and other needed services.

How long did you think it would be before seniors wouldn't have to worry about being forced into a nursing home, just because they can't afford long term care at home? With President Clinton's Reform, that time is finally about to come.

Research to Prevent Alzheimer's

The reform even gives us new hope in the battle against Alzheimer's disease. That terrible disease is everyone's nightmare—not being able to dress or eat without assistance, losing control over our very bodies and minds. Being a burden on our children, and an object of pity to our grandchildren.

But Bill and Hillary Rodham Clinton have made research into Alzheimer's disease prevention a top priority for their health reform plan. It's been agonizing to wonder

what breakthrough is just around the corner, which scientist is one investigation away from learning valuable new information about Alzheimer's.

The Clintons don't want any of us to have to wait any longer for a cure to Alzheimer's and other diseases that devastate so many American families. That's why their health reform boosts medical research.

As the health reform debate heats up, you'll see slick, multi-million dollar commercials aimed at scaring senior citizens into taking the side of the insurance companies and drug companies.

Instead of listening to the hucksters, listen to a fighter for older Americans in the tradition of Claude Pepper. Listen to Dr. Arthur Flemming:

"Over the next several months, there will likely be many attempts by those opposed to reform to scare Americans about the effects of the President's plan," Arthur Flemming cautions. "But older Americans should know that President Clinton's reform will bring them greater security and expanded benefits."

 Ron Pollack is executive director of Families USA Foundation



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 provide a generous health care plan today. Won't this plan require me to provide my employees with reduced benefits?*

A. No. Your employees will have a choice among plans which offer the nationally guaranteed benefits package, and you will be able to provide your employees with whatever additional health care benefits you would like.

Q. *This plan sounds complicated. Isn't it really going to drive up my administrative costs?*

A. No. Health care is admittedly a complicated subject. But today's health care system is vastly more complex than this plan. Administrative costs now consume a large portion of what all businesses pay for health care. One of the goals of this plan is to reduce this burden. The plan achieves significant administrative simplification by using:

- one comprehensive benefits package,
- a single, standard form for insurance reimbursement claims submission; and
- economies of scale for businesses pooled in the alliance.

Q. *Doesn't this plan eliminate the tax benefits which I have today?*

A. No. Health care premium payments will continue to be tax-deductible for employers and will not be included in your employees' taxable income. If you offer your employees more generous benefits than in the nationally guaranteed benefit package, your premium contributions will continue to be tax-deductible for 10 years, as long as that plan was in force at the beginning of 1993.

Q. *I'm afraid that the new system will not really control costs—how can I know that it will?*

A. In the last five years, health care costs for employers have risen almost 15 percent every year. Small business costs have risen even more rapidly. That's why a tough approach to controlling costs is a cornerstone of the Health Security Act. Providing health care and a comprehensive benefits package to every American will cut the cost of uncompensated care. Stimulating competition, increasing consumer awareness of the cost and quality of 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. *My company operates in a number of different states. Today, I provide health benefits for my employees through one system. Under reform, will I have to change the way my employees get coverage?*

A. No. Large employers will be free to operate as their own alliances, as long as they adhere to national standards for choice, quality, and comprehensive, affordable care. Small groups of employees in distant locations, however, will have the opportunity to receive health care through the local regional alliances if that is more convenient and cost-effective.

Q. *Can we be confident that this plan had been analyzed rigorously and that the financing is reliable?*

A. Yes. At the very beginning of this process, the President brought together some of the best minds in the country to help design a financing package for health care reform. The numbers and analyses that underline the President's proposed plan for health security represent months of rigorous work by experts from various federal agencies for the first time. An outside group of economists and actuaries audited the work that was done, and examined and validated the costs and savings projections. These cost and savings projections are solid, credible and conservative.

Q. *My company is a large manufacturer experiencing very difficult international competition. Won't this plan add to my costs and make us even less competitive?*

A. In fact, just the opposite is true. Today, many U.S. companies operate at a disadvantage in global competition, in part because of the costs of their health insurance. This plan is designed to get costs under control by increasing competition among health providers, increasing consumer incentives to reduce costs, reducing administrative waste, and imposing discipline on both private and public health care spending. Without this disciplined approach to cost control, your health care costs will continue to spiral out of control and make your competitive position even worse. The plan also lifts the burden of early retirees from your company. Generally, the plan was specifically designed to help control your costs and compete globally.

Q. *I have heard that health care reform will drive thousands of small companies like mine out of business. How will my business be protected?*

A. The Health Security Act was designed specifically to protect small businesses and help them make the transition to a system that guarantees their families and employees the health security they deserve. Businesses will pay no more than 7.9 percent of their payroll for health care. Most businesses' actual premium costs will be less than the 7.9 percent cap, which serves only as a ceiling on premium payments. Smaller businesses (those with fewer than 50 employees) with low wages will receive discounts of between 30 percent to 80 percent compared to what the average big business pays. Most businesses that provide insurance today will enjoy significant cost decreases. Businesses without insurance today will enjoy affordable health insurance for the first time ever, costing as little as a dollar per day for low-wage employees.

Q. *I am a small business owner who now buys insurance for my family and my employees. What will this reform do for me?*

A. Health care reform will lower costs for most small businesses that now provide insurance to their employees. Today, you pay 35 percent more for your insurance than the big companies do and your premiums increase at a rate more than 50 percent greater than theirs do. After reform, small businesses with low wages will pay between 30 percent and 80 percent less than the average big business. The

Health Security Act will control costs, cut the administrative waste and paperwork that drive your premiums up, and make insuring your employees easier and more affordable. Small employers and others will join together in a health alliance to get the same bargaining power in dealing with health plans that large companies enjoy today. In addition, you and your family will gain the security of knowing that you will never lose your insurance coverage.

Q. *I own a small business and can't afford to give my employees health insurance. What will this plan do for me?*

A. Small business owners already risk enough; they shouldn't have to go without health insurance coverage, endangering their families' health security. Most small businesses today provide their employees with health coverage. Most of the rest would like to provide that benefit but find it impossible in a health insurance system that discriminates against them. The Health Security Act will help small businesses provide insurance to employees at affordable prices through these steps: controlling costs and making insurance more affordable; regulating insurance companies and prohibiting discriminatory pricing against small firms; and offering discounts to small companies and their employees. In the future, many small business owners could be able to provide health insurance for themselves and their employees for less than they pay for their family premiums today.

Q. *I am self-employed. Will I start to have the same tax advantages as big companies?*

A. Yes. Today, the self-employed can deduct only 25 percent of the cost of their health care premium from their taxes while other employers can deduct 100 percent. In the future, self-employed people will be treated fairly and be able to deduct 100 percent.

Q. *Won't I continue to be at a disadvantage to larger companies in the purchase and administration of my health care?*

A. No. By pooling with other employers in the regional alliance, you will enjoy the economies of scale in the purchase and administration of health care that only the largest employers have today. You also will be able to provide your employees with a health plan equivalent to what the biggest corporations offer today, without being excluded for pre-existing conditions. You also may enjoy the benefit of discounts for both you and your employees which will not be available to the corporate alliances.

THE HEALTH SECURITY ACT

- Q. I employ lots of part-time workers. Will I be required to pay for all of their health care?**
- A.** No. Businesses will be required only to pay a pro-rated share of the employer portion of the health care premium for part-time workers. Businesses will be required to pay nothing for the health care of part-time workers who are full-time students and who are under the age of 23.
- Q. My company hires independent contractors to perform many services for us. Will I be required to pay all the costs of their health care?**
- A.** No. Truly independent contractors are considered self-employed and will be responsible for all the costs of their own health care, i.e., both the employer and the employee portion.
- Q. How will my workers' compensation costs be affected?**
- A.** Medical treatment for workers' compensation claims will be provided through the alliances and will enjoy the alliances' cost benefits. As a result, premium rates, fraud and excessive utilization all will be dramatically reduced.

For more information, contact:
U.S. Department of Commerce,
14th and Constitution, Washington, DC 20230
Attn: Health Security Act
or the
U.S. Small Business Administration,
409 Third St., SW, Washington, DC 20416
Attn: Health Security Act

U.S. Small Business Administration
409 Third Street SW
Washington, DC 20416

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U.S. Department of Commerce
Ronald H. Brown, *Secretary*



U.S. Small Business Administration
Erskine Bowles, *Administrator*

Talking Points on Employer Mandates

Q. Why is Congress struggling with the issue of employer mandates?

* Congress is going through the same process that the Administration did last year when it was developing legislation. There are essentially three ways to achieve universal coverage: a broad based tax, guaranteed coverage at work, and telling an individual or family that they are responsible for paying for their entire coverage.

* The President chose to build on the current system where nine out of ten Americans get private insurance through the workplace. We believe that after Congress goes through this process, they will conclude that health benefits guaranteed at work is the simplest, least disruptive and most conservative way to achieve universal coverage.

Q. That assumes that Congress is behind universal coverage. Do you think Congress supports the President's bottom line?

* The American people support having guaranteed private health insurance that can never be taken away. The chairmen of the five committees and the Congressional leadership support universal coverage. And the President said he would veto any legislation that does not provide guaranteed private insurance that can never be taken away.

Q. What about a 50/50 mandate? Will the President sign legislation that has a 50/50 split?

* The Administration believes that health benefits guaranteed at work is the most effective way to achieve universal coverage. It builds on the current system where nine out of ten working Americans get private insurance through their workplace.

* We feel that the President's approach of an 80/20 split coupled with discounts to protect small businesses will achieve universal coverage without placing an undue burden on businesses and hard working American families.

Q. But there have been indications from the White House that the President might actually sign a bill with a 50/50 split?

* The Administration feels that we put forth an approach that does not harm American families and businesses. It builds on a tradition of shared responsibility where workers receive health benefits at work.

* (But as we have said all along, we are not going to comment on other alternatives or suggestions at this point. **This answer would also work for a question on triggers.**)

Q. What role has lobbying played in influencing the debate on employer mandates?

* No one should underestimate the power that the NFIB has in trying to influence this debate. This is the same organization that has opposed anything that would help working Americans - the minimum wage, family and medical leave, worker safety laws. The NFIB has a strong grassroots organization that is capable of scaring people.

Q. What can the Administration do to counter the NFIB and other business opposition?

* We need to keep doing what we have been doing. And that is trying to take every opportunity that we can to say that health care reform will benefit businesses and working families. Small businesses will be among the biggest winners under reform. Right now, the system is stacked against them. They pay more because they do not have the same competitive advantages as big businesses. Under reform, small businesses will be able to get insurance at the same rate as big businesses. And insurance company abuses that hurt small businesses - like raising rates when one worker gets sick - will be outlawed.

* The vast majority of businesses today provide insurance. Even among the smallest companies, more than half provide coverage and many of the rest say they would if they could afford it.

Q. Is the opposition to employer mandates what you expected?

* Anytime you use the word mandate you are automatically going to see opposition. When you explain that we are merely building on the current system where nine out of ten working Americans get private insurance through the workplace, people better understand what we are trying to achieve.

Q. Is the Administration disappointed that business hasn't been more supportive?

Recently, * There has been support from the business community. Just ~~last week~~ a coalition of businesses including major corporations such as Sara Lee, Zenith, NYNEX, Safeway and Chrysler, sent a letter to the Hill in support of the employer mandate.

Q. Wouldn't you like to see more business support?

* The important thing to do is not obsess about whether we need more or less support and focus on what we do to tell the American people that health care reform will provide guaranteed private insurance, increase choice and improve the quality of health care.

Pena — public
Emergency — hospital
hospitals —
supporting

Tim Beltz ^{for} 366-
7952

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DRAFT -- NOT FOR RELEASE

**AMERICA'S HOSPITAL EMERGENCY ROOMS
FACT SHEET**

- A visit to one of our nation's hospital emergency room reveals signs of America's health care system in distress. As more Americans lose their health insurance, more people are visiting emergency rooms for non-urgent reasons at enormous cost to the system.
- According to the first national survey of hospital emergency room departments, **fifty-five percent of the 90 million emergency room visits in 1992 were for ailments that could have been treated elsewhere.** [National Hospital Ambulatory Medical Care Survey: 1992 Emergency Department Summary; Department of Health and Human Services, National Center for Health Statistics]
- The hospital emergency room has become family doctor for too many Americans. **Almost as many people came to the emergency room for coughs and sore throats (4 million) as came to the emergency room for chest pain (4.6 million.)** [National Hospital Ambulatory Medical Care Survey: 1992 Emergency Department Summary; Department of Health and Human Services, National Center for Health Statistics]
- Younger Americans (15-24), the age group most likely to lack insurance, accounted for the highest rate (61%) of non-urgent visits to the emergency room. [National Hospital Ambulatory Medical Care Survey: 1992 Emergency Department Summary; Department of Health and Human Services, National Center for Health Statistics]
- An emergency room visit costs at least three times that of a visit to a community-based physician in the same area. [Department of Health and Human Services, Inspector General Report, 1992]
- Hospital emergency rooms are not organized to deliver routine medical care. **Patients receiving treatment here don't receive the timely, preventive services that come with regular, medical care.**
- The failure of the system costs everyone. Uninsured Americans visit emergency rooms when they can find no other treatment options. Hospitals try to recover losses from uncompensated care by increasing charges to Americans who pay for insurance.
- In Michigan, private insurers pay hospitals at 18% above costs, in part, to cover losses from caring for the uninsured. [Propac analysis of Annual Survey from the American Hospital Association]
- Many hospitals have have closed their emergency and trauma centers causing severe overcrowding in the remaining hospitals. For example, since 1983, 10 of the original 23 hospitals in Los Angeles County have had to close their trauma units. In Chicago, four trauma centers have closed, citing lack of reimbursement as the reason. [National Association of Public Hospitals Special Report]

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IMPACT OF THE HEALTH SECURITY ACT ON ALL HOSPITALS

Hospital revenues will be expanded

Hospitals will obtain most of their revenue from health plans offered through regional or corporate alliances. Because all legal residents will have health insurance coverage, hospitals' bad debt and charity care burdens will be virtually eliminated. In addition, current Medicaid beneficiaries and the currently uninsured will be "mainstreamed" into the alliance system, and health plans will pay hospitals the same rates for all enrollees.

Current Medicare beneficiaries will remain in the Medicare program, although a State electing a single-payer system may obtain a waiver to include Medicare beneficiaries in its system. Hospitals will continue to receive payments for these beneficiaries as they do today.

Hospital operating costs will be reduced

Administrative costs will decrease dramatically because billing and claim forms will be standardized and streamlined. The standard comprehensive benefits package will reduce hospitals' need to track insurers' different coverage rules.

Reforms in medical malpractice will reduce the legal exposure for hospitals, through mandatory alternative dispute resolution, limits on contingency fee awards, and a requirement that collateral sources of recovery offset malpractice damage awards.

As employers, most hospitals will have health insurance premium contributions capped at 7.9% of payroll. Administrative costs for providing health insurance for employees will be nearly eliminated, since all health plan contracting, enrollment, and complaint review functions will be handled by the regional alliance.

Hospitals will be expected to operate more efficiently

The effect of the Health Security Act on a hospital will depend on that hospital's competitive behavior in the marketplace. Those which improve efficiency and quality, develop innovative care delivery programs, and maintain customer satisfaction will increase both their margins and their market share.

The effect of Medicare savings

The Health Security Act will reduce the rate of increase in Medicare payments for inpatient hospital services to bring the rate more in line with that targeted for the rest of the health care sector. The amount of Medicare savings in the HSA is comparable to the savings proposed by the Senate Republican plan, and less than those in some single-payer proposals.

The proposals in the Act strike a balance between providing Medicare payments sufficient for efficient hospitals to provide quality care to Medicare beneficiaries and applying appropriate pressure on hospitals to be more efficient.

IMPACT OF THE HEALTH SECURITY ACT ON PUBLIC HOSPITALS

In addition to the general provisions affecting all hospitals, the following provisions of the Act are particularly relevant for public hospitals.

Universal coverage

- Private health insurance coverage will be guaranteed for all legal residents, thus uncompensated care will be virtually eliminated.
- Current Medicaid beneficiaries, the uninsured, and other low income populations will be "mainstreamed" into the alliance system. They will obtain health care coverage from the health plan of their choice, and health plans will pay hospitals the same rates for all enrollees.
- The cost-sharing responsibilities of low income families will no longer create bad debt for hospitals. Low income families will be eligible for reductions in their cost-sharing responsibilities. Alliances will make payments to health plans to account for such reductions, if the plan passes these payment to its providers.
- Undocumented persons are not eligible for guaranteed health benefits. The federal anti-dumping rules continue to apply to guarantee emergency treatment, as provided under current law. Community and Migrant Health Centers and other public health providers that serve this community will continue.

Protection in arrangements with health plans

- In selecting providers to participate in its network, the HSA prohibits a health plan from discriminating against a provider on the basis of the income, health status, or anticipated need for services of the provider's patients. Plan marketing materials may not be selectively distributed only to low risk areas in the alliance's territory.
- States may provide financial incentives to health plans to ensure that plans enroll members of disadvantaged groups, and may also provide for extra services (such as outreach and translation services) to encourage enrollment of families that face barriers to access.
- Alliances are permitted to offer financial incentives to health plans to encourage them to provide coverage in underserved areas. Alliances may also organize plans in underserved areas, and arrange favorable financing for such plans.
- Many public hospitals will be eligible to apply for transitional protection of

their services as essential community providers. This provision requires health plans to contract with essential community providers and pay them at favorable rates, for at least the first five years of the new system.

Changes in response to universal coverage

Medicaid disproportionate share (DSH) payments will be phased out as States implement health care reform. DSH payments will be replaced by a new "vulnerable population" program that will provide federal payments to hospitals that serve a high proportion of low-income patients and provide services not covered by the HSA (such as services to undocumented people). To qualify for payment, the hospital's low income utilization rate must be at least 25 percent.

Capacity expansion and development programs

Public hospitals serving underserved areas and populations will be eligible for a variety of new Public Health Service programs, including:

- a loan program to assist in construction, renovation, and conversion of facilities to more appropriate uses;
- a grant program to support the development of community health plans and practice networks in underserved areas; and,
- grants to entities to support the provision of services that overcome nonfinancial barriers to care, such as outreach, transportation, and translation/interpretation services.
- to meet the workforce needs of public hospitals, the National Health Service Corps will be expanded from about 1,600 today to about 7,700 in 2004.

Nat'l Association
of Public
Hospitals
Heads

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FAX MESSAGE

To: Kelcey Kintner

From: Howard Buffett

Date: April 29, 1994

Several options which you can choose from:

Robert Barley, President
Barley Farms & Barely Feeds
Yuma, Arizona
602/782-2571

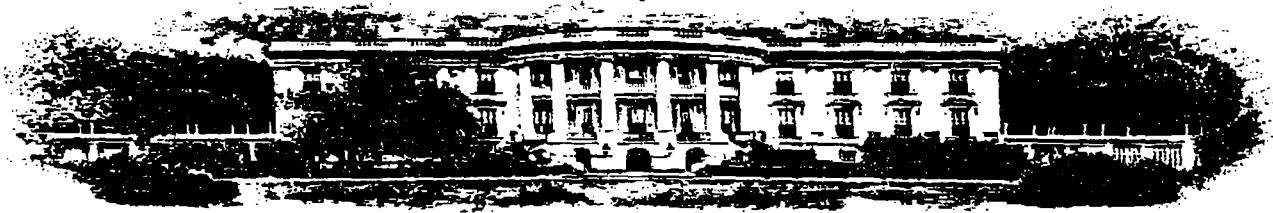
(Also largest cotton co-op in country "Cal-Cot")

McElhaney Cattle Company
Contact: Larry McDonald, Vice President
Wellton, Arizona
602/785-3384

(This one is the 4th largest family farm in the country)

Arizona Grain Company
John Scully, Manager
602/836-8228

THE WHITE HOUSE



OFFICE OF COMMUNICATIONS

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PHONE: (202) 456-7151

TO: Tim Beltz
FROM: Kelcey Kintner
RECEIVER FAX: 3166-7952
RECEIVER PHONE: 3166-5742
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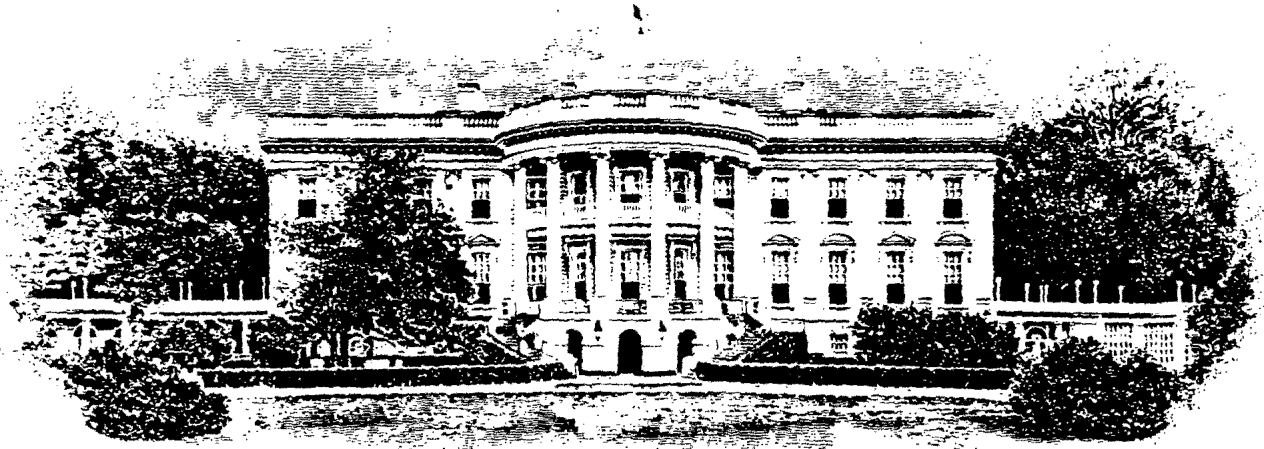
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BACKUP FACT SHEET

People Without Insurance Each Year 58 Million

THE FACT: "The Bureau of the Census calculated that 50 million Americans lacked health insurance for at least 1 month during 1987. Lewin/VHI updated the census estimate, calculating that 58 million people were uninsured for at least 1 month in 1992."

THE SOURCE: "*Dynamics of People Without Health Insurance: Don't Let the Numbers Fool You*," Journal of the American Medical Association (JAMA), January 5, 1994

People With Pre-Existing Conditions 81 Million

THE FACT: An estimated 81 million Americans under age 65 have medical problems for which insurance companies can charge higher premiums, exclude coverage or deny coverage altogether.

THE SOURCE: "*Health Insurance at Risk - The Seven Warning Signs*", Citizens Fund, June 1991 [with data from National Center for Health Statistics "*Health Interview Survey*", further data from the Health Insurance Association of America "*Source Book*", and the latest Department of the Census "*Current Population Surveys*"]

People With Lifetime Limits on Coverage 133 Million

THE FACT: The Bureau of Labor Statistics *1991 Survey of Medium and Large Private Establishments* reports that only 1 out of 4 people have insurance policies without lifetime limits.

THE SOURCE: Table 45 -- Medical Care Benefits: "*Employee Benefits in Medium and Large Private Establishments*", Bureau of Labor Statistics, 1991

CALCULATION: In 1992, 177.5 million Americans had private insurance, according to the Employee Benefit Research Institute analysis of the March 1993 CPS. Seventy-five percent of 177.5 million is 133 million.

The Health Security Act

UNION PLANS

Millions of Americans -- particularly union members -- have worked hard to get the solid health benefits they enjoy today -- trading increases in wages in order to maintain the same health benefits. In some cases, they have been willing to accept reduced benefits to ensure that they still have some coverage. But even those with excellent health benefits live in constant fear of losing that protection. Insurance can disappear overnight as people are laid off, move, change jobs, or become ill.

The Health Security Act will protect hard-earned union benefit plans and allow employers to continue providing 100 percent of health benefits. It will do right by working Americans and labor unions who have long been in the forefront of the fight to provide health security to every American.

Preserves Benefits

- The Health Security Act will provide the comprehensive benefits all Americans deserve. For those with coverage beyond the federally guaranteed package, the included tax preference for those benefits will be preserved for ten years. At that time, long-term care and mental health benefits in the guaranteed benefits package will offer services far beyond what all but a handful of plans provide today; benefits subject to taxation will therefore be minimal.
- Employers who currently pay 100% of the premium, or contribute to the coinsurance and deductibles or pay for benefits over and above the comprehensive benefits package can continue to do so indefinitely on a tax preferred basis.

Helps Restore Lost Wage Increases

- Millions of American workers will have their first real chance for wage increases in years. For two decades, rising health care costs have robbed American workers of wage increases they need and deserve. With guaranteed, comprehensive benefits, unions will no longer have to negotiate away wage increases in order to preserve benefits.

Increases Choices

- Today, only one out of every three companies that employ fewer than 500 people offers employees a choice of health plans. The Health Security Act will allow every individual the choice of at least three plans in every area: a traditional fee-for-service plan like many people have today, a network of doctors and hospitals, and an HMO-type plan. Individuals - - not their employers or benefits managers - - will choose health plans and doctors. Corporate alliances with over 5,000 employees will also have to offer a minimum of three plans.

Simplifies Care

- All families will receive health care from a single plan. Coordination of benefits problems will be eliminated for all individuals.

Preserves Taft-Hartley Trusts

- Taft-Hartley trusts will be able to continue to operate their own health plans, subcontract with health plans, or join the health alliances.

April 1, 1994

Health Care Reform Now

Top **10** reasons we can't afford to wait

10 Health care costs too much, but those of us who have given up pay raises to cover health expenses are paying a hidden cost as well. In some industries, as much as 20 percent of payroll goes to health care costs, and the average is 12 percent. Union workers and others with insurance also are paying for the 37 million Americans who have no coverage in the form of higher premiums and charges from medical providers.

9 Improved competitiveness for U.S. industry. When U.S. products compete with products from Japan, Germany or Canada, we suffer an automatic disadvantage to make up for the lopsided cost of health care for U.S. employers. Other industrial nations have national plans and don't leave the cost solely up to employers.

8 Health care costs are poisoning labor relations. A disproportionate number of recent strikes have been sparked by health care; it is a key issue in 75 percent of all current contract disputes.

7 The outrageous increase in health care is the single most important reason that Americans' buying power has been declining. Some U.S. families spend as much as 20 percent of their income on health care premiums and medical bills.

6 The longer we wait, the more powerful opponents of health care become. Health insurance companies and other profiteers and chiselers benefiting from the current system already are barraging the public with scare campaigns about higher taxes, loss of physician choice and the horrors of government involvement in the health system.

Top **10** reasons we
can't afford
to wait (Continued)

5 Nobody is in charge of overall health care planning for either quality or costs. Some 1,500 health insurance companies write their own rules for covering (or not covering) an illness or a condition. There is no consumer voice in the way fees are set.

4 Insurance companies make the final decision on how they will apply their rules. Some workers can't get any coverage because they have "pre-existing" conditions. So-called "experience rating" drives up rates for all if one worker files a claim. That can prompt employers to drop a policy altogether when costs rise too fast.

3 \$250 billion — 25 percent of the \$1 TRILLION we spend every year on health care — actually goes to pay administrative costs, not for improved health. Without reform, that figure would grow to one-third of all health related spending.

2 The current system is just not fair. Employers who provide health care coverage pay the tab for those who don't AND have to compete in the marketplace with employers who stiff their workers.

1 If reform provided a savings of only 10 percent of 1993 spending on health care, we'd have about \$100 billion available to cover the one-third of Americans currently uninsured and underinsured.

HEALTH CARE REFORM

Q & A For Union Members About The Health Security Act

THE BASICS

1. *Why should I support the Health Security Act?*

Everyone agrees that the U.S. health care system needs to be changed. As introduced, the Health Security Act - HR3600, S1757 - reforms our nation's health care system in a way that would benefit all American families. For example, the legislation provides a guarantee of comprehensive health care coverage to everyone, whenever they need it. People would never again have to fear losing health care coverage. The plan also controls health care costs and gives people a choice of doctors and plans. Best of all, it makes health care affordable.

2. *Who would pay the premiums for health insurance coverage under the proposal?*

Under the legislation, all employers would be responsible for 80 to 100 percent of the premium costs. On average, workers would be responsible for no more than 20 percent of the premium costs. The unemployed and low-wage workers would receive government subsidies.

3. *Under my union contract, the employer now pays the full premium for me and my family. Would I have to pay more under the Health Security Act?*

No. Organized labor fought for and won the option, to negotiate for employers to pay the full premium. Employers that cover everything now can still do so in the future.

THE BENEFITS

4. *I have excellent health benefits that my union negotiated. Will the new plan be as good?*

For an overwhelming number of union members and Americans, the answer is yes. The Health Security Act is modeled on the benefit packages offered by the nation's largest companies which are some of the best plans negotiated by our unions. And, most importantly, because these benefits would be guaranteed by law, your employer and insurance company can't cut your benefits in the future.

5. *Would my health benefits be taxed?*

No. The basic package of guaranteed comprehensive benefits would not be taxed and workers would not be taxed if their companies pick up all, or part, of the employee's share of the premium. Also, other forms of cost-sharing, such as employer contributions towards deductibles, won't be taxed. Benefits that exceed what is in the comprehensive package (so-called "supplemental benefits") would not be taxed for ten years.

6. *Which benefits are likely to be improved under the reform proposal?*

The plan's prescription drug and preventive-care benefits are better than those in many union plans. Preventive services such as annual physicals and mammograms, would be fully covered. There would be no lifetime limits on any benefits. Many people may see their out-of-pocket costs drop. Workers with minimum "bare-bones" health benefits would see many improvements in their coverage.

7. *What happens to my health benefits if I change jobs?*

Under HR3600/S1757 health care coverage is portable. In other words, when you change jobs your health plan goes with you. There would be no break in your coverage because your new employer would start paying your premium from your first day on the job. And every health plan must take all comers, regardless of their medical conditions.

8. *What if I get hurt on the job? Will I still be covered by workers' compensation?*

Yes. You will go to your own doctor for treatment, except in an emergency when you can go to any doctor. The workers' comp insurer will reimburse your health plan for your treatment. Workers' compensation premiums will continue to be experience-rated to provide an incentive to employers to maintain safe and healthy work places. Also, workers will continue to have first-dollar coverage for work-related injury.

American Federation of Labor and Congress of Industrial Organizations



815 Sixteenth Street, N.W.
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Dear Trade Unionist:

Thank you for your active support of the AFL-CIO's campaign for health care reform. Over the next few weeks and months, the AFL-CIO and individual unions will be asking union members to continue to do all they can to support comprehensive reform.

We need your help right away!

The debate over health care reform has entered a critical stage. Over the next few weeks, members of five congressional committees will be casting crucial votes on health care reform legislation. Committee action in the House should be completed by mid-June, with a vote in the full House possibly occurring shortly thereafter. Senate committees are also in the process of crafting health care legislation for floor action.

Now is the time to contact your elected representatives in Washington.

Opponents of genuine, comprehensive health care reform are actively campaigning against provisions that would require all employers to contribute to the cost of insuring their workers. Some of their allies in Congress are pushing to drop universal coverage from the bill. Others want to tax your health care benefits in order to protect employers who don't provide health coverage and don't want to.

Members of Congress need to hear from you now!

Enclosed is a health care reform activist's kit to help you turn up the heat on your congressional representatives. The kit contains sample letters to members of Congress, an AFL-CIO fact sheet on health care reform and ten talking points for activists.

I urge you to do the following as soon as possible:

1. Write your senators and your U.S. representative today and tell them that you want genuine, comprehensive health care reform like President Clinton's Health Security Act. Emphasize that you don't want your benefits taxed.
2. Call your congressional district office -- the number is listed under "Congress" in the U.S. Government Section of your local telephone book. Or dial the U.S. Capitol switchboard at (202) 225-3121 and ask to be transferred to your representative's office. Then tell the staff person who answers that you want Congress to pass the Health Security Act without crippling amendments.
3. Call your two U.S. senators and tell them the same thing. The U.S. Capitol switchboard number for them is (202) 224-3121. Or look in the telephone book for a local office number.
4. Revise your letter to members of Congress and send it to your local newspaper as a letter to the editor.

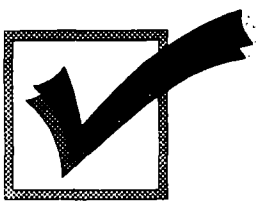
More of the enclosed health care reform activist's kits are available by calling the Health Care Reform Campaign office at our toll-free number -- 1-800-80-LABOR. You'll hear a brief recorded update, followed by an opportunity to leave names and addresses of those who wish to receive a kit.

Thank you for your help in labor's campaign to pass real health care reform and thereby ensure that every American has comprehensive health coverage that can never be taken away.

Sincerely and fraternally,

A handwritten signature in black ink, appearing to read "Sam Rains", with a large, stylized circular flourish at the end.

President



TEN POINTS FOR HEALTH CARE REFORM ACTIVISTS

We expect to win universal health care reform in 1994.

While much of the current coverage of health care reform highlights the opposition and how difficult this will be, we do expect to win real reform this year. A recent poll indicates that 74 percent of Americans believe that the president should veto any bill that is not universal. The public is with us. It is our job to make sure that this message gets out.

1. The time is now! And we must act. This campaign will be won from the grass roots. Our goal is 218 votes in Congress and 50 votes in the Senate (if we can prevent a filibuster). Right now, the opposition to the Health Security Act (HSA) is more mobilized than we are and has more money than we do. For example, some major institutional opponents are:

- The Health Insurance Association of America, which has spent more than \$11 million to keep the deceptive Harry and Louise ads coming. This ad blitz likely will continue and intensify.
- The National Federation of Independent Business, which continues to misrepresent small businesses, most of whom now provide some health insurance to employees. As a result, some members of Congress are talking about eliminating the requirement that all employers pay their fair share and taxing our benefits instead.
- The Citizens for a Sound Economy, a far-right special interest group, which is airing misleading and fear-provoking ads in key districts as well as advertising an 800 number where they patch callers in to their senator's office.
- Republican leaders, who assert there is no health care crisis.

2. Keep your eye on the prize. Some groups or individuals may wish to modify certain parts of the proposal, and they should make their views known. But we also need to work for passage of the HSA, the only genuine reform bill which has a realistic chance of passage. If we don't join together to promote the positive aspects of the plan that we all agree on, the HSA, we will get no reform.

3. Put questions in context. Almost all questions can be compared with the current situation. Will there be too much bureaucracy? Look at the current confusion and bureaucracy – 25 percent of health care dollars goes to administration. Will it cost too much? The current costs are soaring. Each year, an average of \$3,600 is spent for health care on every man, woman and child in America.

4. Focus on priorities. The non-negotiable issues for us are that any reform legislation must include **universal coverage through an employer mandate, a comprehensive benefits package, real cost controls, no taxation of benefits, retaining the single-payer option for states and providing choice of doctors.** We must emphasize that health security means insurance that can never be taken away. Explain to skeptics that people with insurance can now lose it at least temporarily (as do 2 million a month) or lose it completely (100,000 a month). Fifty-Eight million Americans – 20% of the population – will lose their coverage for some period of time during the next year. We must mobilize to build the political support for these priorities.

5. Personalize the issue. Give examples of real stories from real people. Tell a personal story of your own about health care problems in your family.

6. Compare other plans. HSA is the only plan that builds upon the employer-based system of private insurance, guaranteeing universal, comprehensive and affordable coverage. The Chafee bill and the Cooper-Breaux bills would ask individuals to shoulder the entire cost of health insurance. We share many elements in common with the McDermott-Wellstone (single-payer) and Stark bills, and we work closely with their advocates. On the other hand, none of the other bills provides universal coverage or real cost containment.

7. Make the best health care in the world available to everyone. Our health care providers and hospitals are among the world's best. But they struggle with mountains of paperwork, uncompensated care, pre-approvals and other kinds of obstructions which the HSA would address. Don't make providers our enemies; many are our allies.

8. Questions you can't answer. Ask people to write them down with their name, address and telephone number, and get back to them with the answer. AFL-CIO state federations, central labor councils, field and COPE staff or international union staff can get you a response. The AFL-CIO Health Care Reform Campaign has fact sheets and issue papers; call us at 202/508-6999 or communicate electronically over LaborNet. If you need specific material, call 1-800/80-LABOR and leave your name, address and telephone number.

9. Communicate with members of Congress and the public. Write a letter to your U.S. representative; your member of Congress needs to hear from you. And a letter to the editor of your newspaper will reach thousands of people. It only needs to be two or three paragraphs emphasizing one point like universal coverage or curbing insurance industry abuses. It should be addressed like this: Editor, The Daily Bugle, 232 Main St., Anywhere, NY 11111. Be sure to include your full name and address and day and evening phone numbers.

10. Try to get others to commit to doing something. We need people to sign a petition, call, write or visit their member of Congress, call in to radio talk shows and talk about reform with their friends, neighbors and fellow workers. If thousands of trade unionists like you take some action, we will achieve real health care reform.

AFL-CIO Legislative

FACT SHEET



DEPARTMENT OF LEGISLATION

815 Sixteenth St., N.W.
Washington, D.C. 20006
(202) 637-5082

Fact Sheet No. 103-8

R E V I S E D

Date 05/12/94

HEALTH CARE REFORM

INTRODUCTION

President Clinton has given America an historic opportunity to join the rest of the industrialized world by providing health security to all its citizens. After months of work by his Administration, a formal plan was unveiled to the nation on September 22, 1993. The Clinton plan meets the AFL-CIO's criteria of universal health coverage at affordable prices, cost containment and quality care.

The legislation has been introduced before the Congress as "The Health Security Act" (H.R. 3600 and S. 1757), and is now pending before three major committees in the House of Representatives and two major committees in the Senate. These committees are: House: Education & Labor, Energy & Commerce, and Ways & Means; Senate: Finance and Labor & Human Resources. The federation and its affiliates are working with these committees to preserve the main components of the Health Security Act, especially the requirement that employers contribute to the cost of health care coverage for their employees (an "employer mandate"). We are also working to fend off attacks on our present benefit plans by members of Congress who would like to tax our benefits as a way of controlling health care costs.

BACKGROUND

For the past half-century, while the struggle for universal health coverage has been frustrated by powerful interests determined to protect the status-quo, trade unions used the collective bargaining system to pave the way toward a system of private, employer-paid health care. Today, however, vast economic changes have brought the patchwork U.S. health care delivery system to the brink of collapse. Costs are soaring. In some U.S. industries, 20 percent of payroll goes to health care costs, and the average is 12 percent. Because of these costs, there is mounting pressure for employers to severely reduce, or even eliminate, health care coverage for their employees.

Union members and others with insurance are subsidizing the health care costs incurred by the 37 million Americans who lack coverage. Health care costs are threatening to bankrupt families, businesses, and state and local governments. If present trends are not reversed, health care will consume one-fifth of our national income by the year 2000, diverting our society's scarce resources from pressing investment and social needs.

And yet serious reform of this obviously inept system continues to be thwarted. Perhaps that is because \$250 billion -- 25 percent of the \$1 TRILLION we spend every year on health care -- actually goes to insurance companies to pay administrative costs, not for improved health care. Without reform, that figure will climb to one-third of all health-related spending. It is no wonder that the insurance industry is fighting desperately to de-rail the reform process.

The current system is just not fair! Insurance companies make the final decision on how they will apply their own rules. Some workers are denied coverage because they have "pre-existing" conditions. So-called "experience rating" drives up rates for all if one worker files a claim. That can prompt an employer to drop a policy altogether when costs rise too fast.

STATUS

To accomplish the task of providing a workable and sensible framework for overhauling our nation's health care system, H.R. 3600 was introduced by Rep. Richard Gephardt (D-MO) and S. 1757 was introduced by Sen. George Mitchell (D-ME). Specifically, these bills would: guarantee that every American has comprehensive health care coverage, regardless of age, income, health status or employment status; require all employers to cover at least 80% of the average premium cost for all full-time employees; eliminate discriminatory insurance practices such as "pre-existing conditions;" place limits on yearly insurance premium increases; establish strong purchasing mechanisms to keep competition active and prices in check; Continue the tax-free status for health care benefits; protect an individual's right to choose his/her own doctor; preserve a state's right to institute a single-payer system of care.

The House Ways & Means Health Subcommittee has completed the first congressional mark-up on this issue. This committee deviated from H.R. 3600 by reporting a bill that would place all currently uninsured individuals into a new Medicare Part C program. The proposal is clear in its attempt to achieve universal coverage (with an employer mandate).

The full Ways & Means committee, as well as the full Energy & Commerce and Education & Labor committees will begin mark-ups by the end of May, 1994. Ways & Means and Energy & Commerce are expected to draft their own mark-up proposals that will deviate somewhat from both H.R.3600 and the Health Subcommittee proposal. The Education & Labor committee is in a strong position and is expected to report two bills, something very similar to H.R.3600 and a single-payer proposal. The Senate Labor & Human Resources Committee will begin its mark-up in May, with the Senate Finance Committee expected to start shortly thereafter.

The central battle in this debate will rest upon whether the Congress will succumb to the pressures of the small business lobby and scuttle the employer mandate. Doing so would place increasing pressure on members to finance reform through a tax on current health benefits.

CONCLUSION

Our current system of health care is in such bad shape that workers have no guarantee that they will be able to maintain their current health benefits from year to year. The only solution is for the Congress to enact comprehensive health care reform that guarantees coverage for all Americans, forces all employers to pay their fair share, institutes effective cost control measures, keeps health care benefits tax-free, and insures every American's right to choose their own doctor.

WHAT YOU CAN DO

Call or write to your representatives and Senators. Urge them to support comprehensive health care reform that includes guarantees private insurance, guarantees choice of doctor and plan, requires all employers to pay their fair share, and keeps health care benefits tax-free. Members of Congress can be reached by calling 202-224-3121, or by writing to the U.S House of Representatives, Washington, D.C. 20515 (the U.S. Senate Zip Code is 20510).

For Further Information, Contact AFL-CIO Health Care Task Force 202/508-6999 or 1-800-80-LABOR

SAMPLE LETTER TO EDITOR - SMALL BUSINESS

Date

Editor

Name of Publication

Address

Dear Editor:

Organizations such as the National Federation of Independent Business have been lobbying vigorously against the Clinton Health Security Act, or any meaningful reform proposal. Even though two-thirds of small businesses are responsible employers and already provide health insurance for their employees, the NFIB opposes reform.

Such opponents of reform object to employer mandates, yet employer mandates have been in effect in Hawaii for 18 years. Testimony presented to the House Small Business Committee on March 16, 1994 by the U.S. General Accounting Office noted that Hawaii's employer mandate "did not have a large adverse impact in the small business sector," and health premiums are lower.

In Hawaii, 98 percent of businesses employ fewer than 100 people and 95 percent have less than 50. Despite the employer mandate in that state, corporate demographer David Birch ranked Hawaii as the number one "entrepreneurial hot spot" in the nation.

Under the Clinton plan, small businesses would pay a maximum of 3.5 to 7.9 percent of payroll for health care depending on their average wage level and the number of employees. Currently, the smallest of businesses -- those with fewer than 10 employees pay on average over 15 percent of payroll for health care.

Many small businesses would see a reduction in costs under the Health Security Act. It just doesn't make sense for responsible employers to oppose this bill; it is in their self interest.

Sincerely,

Name

Address

SAMPLE LETTER TO CONGRESS - UNION LETTER

Date

The Honorable (your representative's name)

U.S. House of Representative

Washington, D.C. 20515

Dear Representative (name):

I'm one of the lucky Americans. My union negotiated a health insurance plan that covers my family and me against just about any kind of medical problem from the commonplace to the catastrophic. But, I still worry. I worry because every year the cost of that coverage goes up, and it eats into my take home pay.

I worry because every time we go to the bargaining table, the first thing the company says is "let's cheapen the health care plan." It is that kind of mind set that can ignite workers to strike to maintain their benefits.

I worry because my company competes against companies that don't provide health insurance and that makes it more difficult to keep the plan we have.

If all Americans were guaranteed health insurance we could never lose as President Clinton has proposed, I'd sleep better at night.

Sincerely,

Name

Address

SAMPLE LETTER TO EDITOR - TAXING HEALTH BENEFITS

Date

Editor
Name of Publication
Address

Dear Editor:

I am writing because I am concerned about discussions I have been hearing on taxing employer-provided health benefits.

The very idea of it would put an even greater financial burden on middle-class workers.

Middle-class Americans are already picking up the tab on health care when you look at the wages we have sacrificed and the amount we pay to maintain decent coverage.

It is unfair to expect us to turn around and pay additional taxes for health care while we are facing lower wages, additional premium payments or higher out of pocket costs. It is even more of a slap in the face when you realize that we are paying these exorbitant costs because there are employers that are not providing health insurance for its workers.

The solution is not to once again tax the middle-class. With its provisions for providing tax caps and subsidies for small businesses, a mandatory employer mandate is the only fair and equitable way to go.

Sincerely,

Name
Address

SAMPLE LETTER TO EDITOR - EMPLOYER MANDATE

Date

Editor
Name of Publication
Address

Dear Editor:

President Clinton's Health Security Act and its requirement that all employers contribute for health care will give Americans what we need - an equitable way to spread costs while providing quality coverage.

Opponents of the Health Security Act argue that the employer mandate will hurt small business, but that argument is just one more smoke screen to shield big profits.

Today 62 percent of businesses with under 100 employees offer health insurance. Not only are these companies doing the right thing, but they are paying top dollar to do so. Small businesses spend up to 40 cents out of every health care dollar for administrative expenses -- far more than big business. Plus, they are carrying the weight for those irresponsible employers who don't offer insurance. As a result, health care providers charge people with insurance more to offset those patients without coverage.

The Health Security act will stop rewarding irresponsibility and give responsible small business the break they need.

Sincerely,

Name
Address

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The Health Security Act

Benefits for Business



"The Health Security Act preserves our employer-based, privately-financed system of health care. It will control the costs that are hurting American businesses' ability to compete. And it will help small business owners provide affordable insurance for themselves, their employees, and their families."

- President Bill Clinton

Health Benefits Guaranteed at Work

Did you know....

...Since Hawaii began asking all employers to provide insurance for their employees in 1974: the unemployment rate has dropped to one of the lowest in the nation, and small business creation rates have remained high.

...Some major corporations like PepsiCo -- which owns Pizza Hut, Kentucky Fried Chicken, and Taco Bell -- help pay for workers' health insurance in foreign countries but don't help pay for their workers in American restaurants.

...President Nixon proposed extending the employer-based health insurance system to all employees in 1971 with employers paying 75% of the premium and employees paying 25%. As he said, *"we should guarantee that all workers will receive adequate health insurance protection."*

or hear the stories of...

...Kerry Kennedy, owner of a small furniture store in Titusville, Florida, was recently forced to drop coverage for two employees because the insurance company decided they were too old to cover. Those employees were Kerry Kennedy's parents.

...When her husband came down with a serious illness and lost his insurance, Sheryl Brown of Madison, Wisconsin, had to leave her job and go on welfare to get the benefits she needed. Then, when she got off welfare, and went back to work, her family lost their benefits.

Health Benefits Guaranteed at Work: The Key Points

- Guaranteeing health benefits at work is the easiest and least disruptive way to guarantee private insurance to everyone. The government will provide discounts for small businesses and help cover the unemployed.
- 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.
- The vast majority of businesses provide insurance. Even among the smallest companies, more than half provide coverage and many of the rest say they would if they could afford it.
- Small businesses will be among the biggest winners under reform. They'll get discounts on insurance, and insurance company abuses that hurt small businesses -- like raising rates when one worker gets sick -- will be outlawed.
- Today, people who work but don't have health coverage pay taxes for the health coverage of people on welfare. That's not right.

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