Brewster, Bill

THE WHITE HOUSE

September 22, 1993

Mrs. Suzie Brewster
c/o Office of Hon. Bill K. Brewster
U. S. House of Representatives
1727 Longworth House Office Building
Washington, D. C. 20515

Dear Suzie:

Thank you so much for sending me the golf information. The opportunities for leisure time seem to be dwindling, but I appreciate your thoughtfulness, nevertheless!

With warm personal regards to you and Bill, I remain

Sincerely yours,

Hillary

Hillary Rodham Clinton

I'm going to try to take some lessons - and if I can, play with you some day!

THE WHITE HOUSE

WASHINGTON

March 21, 1994

The Honorable Bill K. Brewster
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Brewster:

I thoroughly enjoyed our recent meeting. Your insights were quite helpful, as always.

I am writing in response to your letter dated February 10 asking for clarification of a number of provisions of the Health Security Act and the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990) that are of interest to the pharmacy profession. The issues you raise -- the second previous payment period, the definition of actual charge, and the OBRA 1990 moratorium -- are technical, but critically important, reimbursement issues. To answer them most clearly and completely, I have asked that the Health Care Financing Administration respond to you directly.

As you know, the President and I are extremely pleased to have received the strong endorsement of the two largest national organizations representing community pharmacists -- the National Association of Retail Druggists and the National Association of Chain Drug Stores. We are committed to assuring that pharmacists are reimbursed fairly under national health care reform.

Please feel free to contact me with any additional questions or concerns. I look forward to continuing to work with you on passing health care reform legislation that we can both strongly support.

Sincerely yours,

Hillary

Hillary Rodham Clinton

BILL K. BREWSTER
3D DISTRICT
OKLAHOMA

WAYS AND MEANS
COMMITTEE

WASHINGTON OFFICE:
1727 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3603
(202) 225-4565

Congress of the United States
House of Representatives
Washington, DC 20515-3603

DISTRICT OFFICES:
232 POST OFFICE BUILDING
P.O. BOX 1607
ADA, OK 74820
(405) 436-1980

101 WEST MAIN STREET
ARDMORE, OK 73401
(405) 226-6300

118 CARL ALBERT FEDERAL BUILDING
MCALESTER, OK 74501
(918) 423-5951

123 W. 7TH AVENUE, SUITE 206
STILLWATER, OK 74074
(405) 743-1400

February 10, 1994

Mrs. Hillary Rodham Clinton
Office of the First Lady
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mrs. Clinton:

As a member of the Ways and Means Committee, which will play an active role in health care reform, I am writing to seek clarification on several sections of the Health Security Act pertaining to the pharmacy services benefit; particularly the proposed Medicare Outpatient Prescription Drug Benefit and the existing OBRA '90 moratorium on reducing pharmacy reimbursement that is due to expire on December 31, 1994.

Second Previous Payment Period

A concern with the current Health Security Act language in both S. 1757 and Hr. 3600, is that a payment limit to pharmacy providers for covered outpatient drugs under Medicare unnecessarily uses data 12 to 18 months old to calculate the reimbursement rate for the drug dispensed. As you know, the prices of prescription drugs can increase significantly during 12-18 months, which will result in substantially underpaying the pharmacy. Since drug pricing data is routinely updated daily, I suggest the use of data no more than 30 days old, which was supported by Senator Pryor in the Prescription Drug Prudent Purchasing Act of 1990.

The legislative language can be found in Title II, Subtitle A of both bills. Specifically, it reads:

"In the case of a covered outpatient drug that is a multiple source drug which had a restrictive prescription, or that is a single source drug, the payment limit for a calculation period is equal to-

(i) the 90th percentile of the actual charges (computed on the geographic basis specified by the Secretary) for the drug product for the second previous payment calculation period".....

Page 361 (C), Payment Calculation Period
"The term 'payment calculation period' means the 6-month period

beginning with January of each year and the 6-month period beginning with July of each year."

The language should be changed to state:
In the case of a covered outpatient drug that is a multiple source drug which has a restrictive prescription, or that is a single source drug, the payment limit for a calculation period is equal to-
(i) the 90th percentile of the actual charges (computed on a geographical basis specified by the Secretary) for the drug product for the payment calculation period.

Page 361(C) Payment Calculation Period
The term "payment calculation period" means the price 30-days prior to the dispensing of the prescription.

Reimbursement rates should reflect a rolling 30-day price.
Electronic claims management systems available and fully operational today, and called for in the Medicare Outpatient Prescription Drug Benefit, can be used to calculate the proper reimbursement to the pharmacy providers using very recent data.

The following are three examples of the difference in the drug product price that would be used in making a reimbursement determination under the current language as compared to the proposed version:

Drug Dispensed in December 1993	Reimbursement Determination Based on Product Costs of Drug in July 1993	Reimbursement Determination Under New Language
Tagament	$ 77.90	$ 85.25
Hythrin	$103.80	$113.23
Mevacor	$110.61	$119.79

Definition of Actual Charge

Again, in the language of the Health Security Act relating to the Medicare Outpatient Prescription Drug Benefit, the product reimbursement formula makes reference to the *"actual charges"* for the prescription (see citation earlier in this letter). While the term actual charges may be one frequently used in health care contracts, it has become a source of serious contention to community retail pharmacies and the third party programs in which they participate. Payors, with increasing and troubling frequency are assigning to this seemingly self explanatory term new and creative meanings which materially impact the payment to the dispensing pharmacy.

To preempt any potential disagreement on the definition of this term under the Medicare program, I respectfully ask your consideration of the inclusion of a definition of "actual charge". I propose the following:

Page 361 (D) Actual Charge
The term actual charge shall mean the usual and customary price for a prescription that includes cost of goods, dispensing fee, and an administrative charge to provide pharmacy services. These charges may vary depending on volume, and cognitive and administrative services performed.

OBRA '90 Moratorium

Secondly, and equally important, is the pharmacy profession's need to seek an extension of the OBRA '90 moratorium on further reduction in pharmacy reimbursement until a health care reform package is passed and implemented. OBRA '90 (Public Law No. 103-55 as amended) under the section entitled, "Treatment of Pharmacy Limits" states:

During the period beginning on January 1, 1991 and ending on December 31, 1994 (A) a State may not reduce the payment limits established by a regulation under this title or any limitation described in paragraph (3) with respect to the ingredient cost of a covered outpatient drug or the dispensing fee for such a drug below the limits in effect as of January 1, 1991.

Congress included the moratorium on reducing pharmacy Medicaid reimbursement in OBRA'90 to protect community retail pharmacies from further inequitable payment cuts indiscriminately made by either HCFA or the individual states. In response to the continued increase in prescription drug prices, the two previous Administrations through HCFA and many state Medicaid agencies had previously implemented cuts to reduce community retail pharmacy reimbursement without any consideration of whether the resulting reimbursement was even adequate to cover the pharmacies' costs.

During the extensive debate on prescription drug prices that preceded OBRA '90, Congress acknowledged that it was not community retail pharmacy that was driving up prescription prices and included the moratorium to protect pharmacy until December 30, 1994. Congress also required in OBRA '90 that HCFA perform a study on the adequacy of pharmacy Medicaid reimbursement, which could be used, if necessary, to formulate a new and more equitable Medicaid pharmacy reimbursement methodology. HCFA has indicated to us that the report to Congress on the results of the study are not expected to be available until March, 1994 at the earliest.

In light of the impending results of the OBRA '90 study on the adequacy of community retail pharmacy Medicaid reimbursement, I am requesting your support in amending the Health Security Act to extend the moratorium through the establishment of the approved state plans, at which time Medicaid prescription programs transfer to the jurisdiction of health alliances. This extension of existing law would allow for a reasonable transition from the current Medicaid programs into a reformed health care system. It will also allow time for interested parties to review and react to

the HCFA study results and the report to Congress.

Your response on these issues will be greatly appreciated as we mutually seek to meet our goal of meaningful health care reform.

Sincerely,

Bill K. Brewster

Bill K. Brewster
Member of Congress

BB/in

CC: Ira Magaziner
Chris Jennings

15 D St SE
20003

Apt I

CONGRESSMAN AND MRS. BILL K. BREWSTER
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

1727 Y 140 B

3RD DISTRICT
OKLAHOMA

9-13-93

Mark,

Please find enclosed the information on Beverly Fergusson that Suzie Brewster wanted to share with Mrs. Clinton. Suzie had a chance recently to talk with President Clinton in this regard. He asked that she forward the information — could you be so kind to make sure the material reaches the appropriate person?

I hope you are doing well — I heard your mom is back in Arkansas. Let me hear from you soon,

Leslie Belcher

ROUTING SLIP

FROM: Mark Middleton
Special Assistant to
the Chief of Staff

DATE: 9/20/93

TO:

The President	_____	Vice President Gore	_____
Sandy Berger	_____	Howard Paster	_____
Rahm Emanuel	_____	John Podesta	_____
Mark Gearan	_____	Carol Rasco	_____
David Gergen	_____	Bob Rubin	_____
Marcia Hale	_____	Eli Segal	_____
Alexis Herman	_____	George Stephanopoulos	_____
Nancy Hernreich	_____	Christine Varney	_____
Anthony Lake	_____	David Watkins	_____
Bruce Lindsey	_____	Maggie Williams	_____
Regina Montoya	_____	OTHER	✓
Roy Neel	_____	Pam Burnett	
Bernie Nussbaum	_____		

Pam, evidently Suzie Brewster promised this to Mrs. Clinton.

FOR YOUR:

Action	✓	Information	_____
See me	_____		
_____ For the President			

THE WHITE HOUSE

WASHINGTON

August 3, 1994

The Honorable Bill K. Brewster
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Brewster:

Thank you for sending Mr. Max Moore's testimony and for sharing your concerns about the ability of employers to self-insure or administer health insurance programs for their employees under health care reform.

I appreciated learning that Mr. Moore supports the President's fundamental goal of guaranteeing private health insurance coverage for all Americans. I was also pleased that Mr. Moore is interested in a range of issues that are also important to the President -- including ensuring access to preventive care, ending cost shifting, and reforming the insurance market to eliminate preexisting condition exclusions, lifetime limits and other practices that prevent those who need health care the most from getting it.

As you know, the bill that Mr. Gephardt plans to introduce will not require businesses to purchase insurance through alliances, as originally proposed by the President. Instead, companies like Mr. Moore's may maintain self-funded plans. The House bill will simply give small businesses and individuals the opportunity to bargain for and purchase health insurance on the same basis as large employers by allowing them to join voluntary, non-governmental purchasing cooperatives. No longer will small businesses pay as much as 35 percent more than big businesses for the same health insurance. And no longer will small businesses pay administrative costs that amount to as much as 40 percent of their health care costs, compared to five percent for big businesses.

Members in both the House and the Senate have made great progress in proposing a less bureaucratic and less governmental approach, while preserving the fundamental goal of guaranteeing private health insurance to all Americans. I very much look forward to continuing to work with you in the coming weeks.

Sincerely yours,

Hillary Rodham Clinton

BILL K. BREWSTER
3D DISTRICT
OKLAHOMA

WAYS AND MEANS
COMMITTEE

WASHINGTON OFFICE:
1727 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3603
(202) 225-4565

Congress of the United States
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Washington, DC 20515-3603

DISTRICT OFFICES:
232 POST OFFICE BUILDING
P.O. BOX 1607
ADA, OK 74820
(405) 436-1980

101 WEST MAIN STREET
ARDMORE, OK 73401
(405) 226-6300

118 CARL ALBERT FEDERAL BUILDING
MCALESTER, OK 74501
(918) 423-5951

123 W. 7TH AVENUE, SUITE 206
STILLWATER, OK 74074
(405) 743-1400

March 9, 1994

Mrs. Hillary Rodham Clinton
Office of the First Lady
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mrs. Clinton:

I very much appreciate the opportunity to meet with you to discuss health care reform issues. I look forward to working with you on this issue over the coming months.

In our meeting I mentioned my concern with provisions in the "Health Security Act" which would preclude most businesses from having the option to self-insure or administer health insurance programs for their employees. Many employers have worked hard to develop innovative programs which provide insurance coverage for their employees and hold down costs. I also mentioned that a business owner from my district, Mr. Max Moore, had testified in front of the House Ways and Means committee on this issue. At your request, I am forwarding a copy of his testimony. It seems to me the government should encourage efforts like the Moore's have taken, not preclude them from playing a role in providing health insurance for their employees.

I would also like to take this opportunity to thank you for your hard work on health care reform. I am confident that by working together, we can deliver to the American people much needed health care reforms.

Sincerely,

Bill K. Brewster

Bill K. Brewster
Member of Congress

BB/jl

March 4, 1994

Dear First Lady Rodham Clinton,

We were happy to learn of your interest in a copy of our position paper after your meeting last Wednesday with Congressman Brewster and Jana Little.

Enclosed please find two copies as presented to the House Ways & Means Committee. We would be glad to answer questions or supply additional information.

Please call us at 405-447-0008.

Thank you for your time and interest,

Max & Pat Moore

RECOMMENDATIONS FOR NATIONAL HEALTH CARE REFORM

PRESENTED BY:

MAX L. MOORE
PRESIDENT
OKLAHOMA STEEL & WIRE CO., INC.
MADILL, OKLAHOMA

BEFORE:

COMMITTEE ON WAYS AND MEANS
REPRESENTATIVE DAN ROSTENKOWSKI, CHAIRMAN

1100 LONGWORTH OFFICE BUILDING
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

Thursday, February 3, 1994
10:30 AM

Good morning, Mr. Chairman and Members of the Committee. I am Max Moore, President of the Oklahoma Steel & Wire Company, located in Madill, Oklahoma, the Southwestern Wire Inc, located in Norman, Oklahoma, and the Iowa Steel and Wire Company, located in Centerville, Iowa. These companies are medium-sized manufacturers of agricultural and industrial wire and welded wire fabric, providing jobs for 380 employees. I appreciate the opportunity to share my views on health care reform with you this morning. Mr. Chairman, the Committee and President Clinton are to be commended for addressing this issue in a serious and timely manner. Health care reform is of critical importance to me, both as an employer and as an individual.

I understand the need for reform and I am anxious to participate in and to contribute to the debate. While I agree with many aspects of the President's plan, I also have issues of concern. I will outline three major principles I believe should be included in any health reform legislation, discuss my company's experience in the health insurance market, and then discuss more broadly both my concerns and support for specific provisions of the health reform plan proposed by President Clinton that are relevant to employers.

First, I endorse the goal of universal coverage. I believe a health care reform package should strive toward this goal through a combination of an individual and an employer mandate. Specifically, all individuals in the U.S. should be required to be carry health insurance through a private or public plan. In addition, all employers should be required to offer a basic health insurance package to their employees and employees' dependents. However, employers should not be required to pay any portion of the costs, but should be

offered incentives to do so. The government should help make the costs of coverage affordable to low-income individuals and to small, low-wage companies.

Second, to achieve universal coverage, I support establishing voluntary purchasing pools (or alliance) arrangements. Regardless of what these entities are called, they should offer insurance coverage to all seekers, but no one should be forced to purchase coverage through a government-sponsored alliance. However, a group of businesses should be permitted to form a voluntary, private alliance. Although we are capable of self-insuring and offering excellent health care coverage to my employees, under the Clinton plan, we would be forced into a regional alliance, losing our ability to apply the expertise we have developed in functions such as controlling costs and promoting healthy lifestyles. Our experience illustrates that we can continue to operate effectively in the insurance market outside a large, regional pool. Moreover, our experience in rural America suggests that alliances as outlined in the Clinton plan must be revised to operate effectively in underserved areas. For example, alliances must be able to cross state lines. State borders are arbitrary divisions in relation to the population base in America and access to health care providers.

Third, health reform should require a basic benefit package, but the Clinton-proposed package is not basic, it is very generous. Let me define my idea of a basic package. It involves two parts: one -- first-dollar coverage (no copayments or deductibles, for example) for preventive and wellness care, and two -- catastrophic coverage that kicks in after meeting a reasonable deductible (up to $1000 per person). Benefits beyond the basic package should

be an option for employers to offer and individuals to obtain.

These three general features address the major problems in the current health care reform delivery and financing system and should be incorporated into any final health reform package enacted by Congress. To put these features into context, I will explain my company's experience in the health care arena.

Until two years ago, we relied on traditional insurance company provided coverage for our employees' and their dependents' health care. During this time period we experienced several cases of severe overcharging and abuse. We found the insurance company had no incentive to control our costs because they made profits from administrative fees as a proportion of our premiums. Our employees had no incentives to control costs because they enjoyed first dollar coverage. The only way we could get control over our costs was by creating a self-funded plan which has allowed us to involve our employees in the quest to control costs. With this approach, we have been very successful. While controlling costs, we have provided access to first class medical care for our employees and their dependents.

In the past several years, we have noted some problems with the health care system even in places as small as Madill, Norman and Centerville. Let me share some of the things we have learned and the things we have done about them in our self-funded and administrated plan:

1. There is a lack of a causal relationship between medical services received and the cost of those services. Our employees were buffered from the actual costs of their health insurance because they personally didn't see or feel the cost. When there is little or no connection between the price of a particular medical service and the amount that the consumer pays, the buyer has little or no incentive to monitor cost. Referred to as the third-party payment problem, this phenomenon is widely recognized as a major contributor to rising health care costs. Employees view health care as an entitlement that has no maximum, rather than a part of their compensation. The alliances proposed by the Clinton Administration perpetuate the problem. Our plan provides for member participation and cost-sharing provisions which reduce the third party payment problem by making individuals more aware of the costs of health care.

2. The general public has come to use insurance coverage as a health maintenance vehicle, not as protection against catastrophic illness and high costs, as insurance really is intended. The very nature of insurance is that it should protect you from costs you cannot finance from regular expenditures. Yet, we were providing employees with complete coverage every time they got a cold. It is a seldom recognized fact that the $250 deductible was started in the 1950's. Our plan provides for $1,000 deductible so that we are not a maintenance plan, but in fact, a safety net. Combining this plan with our first-dollar wellness coverage ensures that individuals receive the care they need.

3. Previously, we did not make our employees pay anything for the insurance they received. We now recognize that modest copayments are effective in reminding people that there is a cost to this service, and we have implemented cost-sharing in our plans.

4. No matter how good we get at keeping our own costs down, we will never truly contain costs while cost-shifting is allowed. Medicare and Medicaid can receive substantial discounts or just impose their rates in our state; larger corporations can negotiate some pretty good deals; the uninsured receive treatment no matter what; and small businesses in our state just opt out of the game and leave us to pay their way indirectly. Oklahoma Steel & Wire and its affiliates are faced with a different medical marketplace. We can't compete with the large players for discounts. And we surely can't continue to pay for the costs they don't cover.

5. Our former and the traditional health delivery system included very few wellness incentives for the covered individuals. To address the issues, we implemented a series of features, including:

- Ten percent discounts for non-smokers;
- Smoking cessation, 100 percent paid for by the plan;
- First-dollar coverage and active promotion of preventive diagnostic screening such as mammograms, prostate exams, pap exams, and bi-annual physicals;
- Excluding wellness programs from individual deductibles; and

- Excluding prenatal care and infant immunization from deductibles.

Through these efforts, we have learned to control our costs, while still giving our employees excellent coverage and contributing our administrative expertise. We want to continue to participate, Mr. Chairman. President Clinton's Health Security Act would take away our option to control our own destiny by forcing us to give up our self-funded plan and our efforts at health promotion and disease prevention. We have deep reservations that a regional alliance would be responsive to the health care needs of our local community. Would the regional alliance contribute money to induce a doctor to come to Madill like we did? Would the regional alliance answer our employees' questions as quickly and as directly? Would my company continue to have the flexibility to create and promote innovative and effective approaches to health care coverage?

I have mentioned briefly some areas of disagreement with President Clinton's plan; I would also like to mention some areas of consensus. The President has introduced a plan for changing the American health care system in the areas of purchasing and financing health care coverage, delivering care, and insuring care. Oklahoma Steel & Wire and its affiliates support the following elements of the Health Security Act and other health reform proposals:

Universal coverage -- As I described earlier, I support universal coverage through a mandate requiring individuals to be covered by insurance through a private or public program. Employers should be required to offer, but not pay for, health care insurance for their employees and dependents. It is no longer tenable for all citizens in this country to fail to be covered. Our current "voluntary," employment-based system has not worked for everyone.

I believe that in order to achieve universal coverage, every employer and individual must participate. No one should "free ride" on the payments of others. No individual or company should be allowed to "opt out" entirely. We think that if small companies won't pay for coverage, individuals should have to cover themselves. In other words, we support an individual mandate to purchase coverage combined with an employer mandate to offer access to coverage.

If we wish to ride the train -- in this case, do business in America -- we must all buy a ticket. And if some cannot afford the price of a ticket, we must all share in covering needy individuals and small, low-wage companies. We also support the notion that there are problems that are the responsibility of society and government has an appropriate role in providing health care to those who are incapable of providing for themselves.

Purchasing reform -- A major inequity in the current system is the uneven spread of risk and costs among payers. Those payers that are large enough, i.e. the Medicare or Medicaid programs and some corporations, have been able to obtain significant discounts in their purchase of health care insurance coverage for their populations. Other smaller and less aggressive purchasers have either paid full retail or withdrawn from the market completely. We accept the premise that all must participate, and we support the proposal that small companies should be able to pool their buying power on a voluntary basis to negotiate purchase of coverage more effectively.

We support the concept of purchasing pools as long as they are voluntary, available to all employers and individuals, and accountable to the participating employers and individuals.

Purchasing pools (or alliances) help promote cost conscious buying for companies and individuals. This includes telling people what health care costs, pegging premium contributions to cost effective buying, and providing rewards for consumers and companies that buy wisely.

Promoting health and preventing disease -- Many of the elements of President's plan are designed to promote health and prevent disease, and we applaud them. We support a benefit package that requires all plans to provide certain preventive interventions, to be provided outside copay and deductible requirements. While we support the emphasis on prevention in the President's plan, we are concerned that some incentives for promoting health in the workplace may be lost if employers like Oklahoma Steel & Wire are no longer responsible for managing the health benefits of their employees. We feel it is a moral obligation to take care of your health. As I outlined above, we offer opportunities to encourage our employees to stay healthy in every way we can. If we pay a regional alliance and its plans to keep our employees healthy, we fear that their programs will not be as innovative and certainly not as accessible to our employees as the ones we currently provide. In a regional alliance, we simply write checks to pay for coverage. We lose our control and our ability to exercise our creativity and expertise.

Financing reform -- There can be no fundamental reform in the way we buy coverage without changing the way we pay for it and making individuals more sensitive to costs. Most other countries pay for health coverage through some sort of social insurance or taxation method. We think the voluntary, employment-based system, despite some flaws, is the best way to approach financing in this country. Whatever we do, however, we must

design a system that has effective cost containment and provides a progressive and equitable financing mechanism. One means of making individuals aware of costs and instituting containment would be to limit the amount of insurance coverage an individual could exclude from income. Coverage beyond the basic package I described above should be included as income to an individual for tax purposes.

Delivery system reform -- The health care delivery system is changing, even in our community. Rural America faces special challenges in health care delivery. Some of the change has been good. For example, new technology links our local hospital to sophisticated teaching hospitals miles away. But some of the change means that doctors and nurses just don't want to come and practice in our areas anymore. We support plans to provide additional funding for training primary care physicians, expanding the training of nurse practitioners and physician assistants, and providing access to capital for young doctors just starting their practices.

We doubt that there will be too much competition in Madill, Norman, or Centerville. We would welcome the addition of so many doctors that they would be fighting over patients. Right now, our problem is just the opposite. Doctors have more patients than they can treat. Our problem is that our doctors don't earn enough to want to come and practice in our small communities. Managed competition is just a theory to us, a theory that is unlikely to work well with a lack of providers. We would welcome the additional federal monies that are proposed for rural, underserved areas such as ours.

Insurance reform -- Within the past year, a strong consensus has developed for the reform of insurance practices in health care, not just in our company but across the nation. We support the elimination of pre-existing conditions; modified community rating to create a more level playing field; and simplification of billing and reimbursement procedures so that single forms and processes are implemented industry wide. All these elements of insurance reform can be found in the President's plan and in all of the other plans introduced in Congress. Overall, health insurance must be portable so that job loss or change does not deprive a worker or family of health care coverage.

Malpractice reform -- We have been frankly disappointed that the President's plan for dealing with malpractice costs does not place a cap on damages. We don't want to deprive people who have been seriously injured from getting their compensation. But we do want to discourage people (and their lawyers) from the insupportably large awards that come from a greedy system and the lack of equity in the awarding of those damages. We also want doctors to treat and prescribe, as clinically necessary, not to avoid getting sued.

While we can agree with the President and many members of Congress about the importance of passing health care legislation as soon as possible, we also wish to share our concerns about certain aspects of reform. Some of these concerns relate to the specific issues I raised at the beginning of my testimony.

Mandatory nature of the regional alliances -- Our major concern is loss of control over our own benefit and health programs. Oklahoma Steel & Wire is too small to qualify as a corporate alliance under the Clinton plan. We would have no choice except to turn over our

health benefits management to the regional alliance. We understand that mandates are important to ensure that everyone is covered; we disagree that there is any absolute size threshold under which employers are too small to manage their own plans. Joining an alliance should be an option, not a requirement. If the regional alliance is as effective as the President proposes, then no one should doubt that employers will want to join it. Shouldn't it tell you something, however, when employer after employer comes before you to tell you they do not believe that government can run this program better than they can?

Generosity of the benefit package -- The benefit package as currently proposed is too comprehensive and the cost-sharing would not deter over-utilization by consumers. Insurance should be a safety net. The benefit package as designed would drive up utilization considerably with little individual understanding of the costs of health care. Moreover, if a consumer need only spend $1,500 to reach a maximum annual out-of-pocket ceiling, there is little incentive for utilization control and from going to providers in a managed care network after reaching the annual ceiling.

Coverage of retirees -- While covering retirees would be a big help for our retirees and for any company that faces the costs of covering the over 55 population, we seriously doubt that the government can afford to follow through on its generous offer. We could not support a government subsidy of this magnitude until after there has been a thorough debate on the cost of covering retirees. A more modest proposal would be a great help to our retirees -- allow them to purchase coverage without being rejected for pre-existing conditions, or to join an HMO where one is available. We hope that the Medicare program will reverse its current curious stance toward managed care for Medicare recipients.

Financing of the program -- We have little confidence in the numbers we have seen. I fear that with the history of medical inflation rates, it will be very difficult to keep costs under control in any system we devise. There is no guarantee that the payroll cap would stay at 7.9 percent. Effective tools to contain costs are missing. There are some surprising inconsistencies in the President's package: employer contributions to the insurance premium are tax deductible, though employee contributions are not. Tax advantages are not linked to the lowest cost plan, thus muting incentives for cost containment. Benefits provided beyond the standard package and the purchase of any plan that costs more than the lowest cost plan should be subject to taxation. Plans should compete to be the lowest cost plan offered, not just the average cost plan. We support managed competition. Implement the concept so that it can work the way the theory is designed to work.

Employment impact -- The Administration assures us that only -- now I say only -- 300,000 some jobs will be lost as a result of this plan. The fact is no one can really quantify the impact of the administration's plan as proposed. But I can assure you of one thing -- if enacted as proposed, there will be a tremendous additional pressure to reduce the number of employees required for a given function. Each employee will represent a growing potential liability. Employee benefits are part of total compensation. The Clinton plan greatly increases the fixed costs of hiring.

Bureaucratic nature of the alliances -- The way regional alliances have been constructed, as public or quasi-public and very political entities, dooms them to failure as responsive arbitrators of coverage. They will not be responsive to Madill and Norman, Oklahoma.

In relation to the concerns I have raised, I would like to offer some solutions which I believe would be consistent with the principles of universality, simplicity, equity and quality, while also taking into account the realities of doing business in Oklahoma and Iowa. I recommend a series of changes to the way we purchase and deliver health care that should be implemented in a slightly longer phase-in period and would take advantage of the creativity currently operating.

* Allow companies to elect to form a corporate alliance or to join the regional alliance and to make their own decisions about self-funding and administration of their health care plan irrespective of the number of employees they have.

* Create the opportunity for all employers to band together voluntarily in buying pools. There are over 150 active business coalitions around the country, many of which have negotiated common benefit packages. The Health Security Act appears to deny companies the opportunity and the right to create these business coalitions. While we understand the need to mix risk in regional alliances, we strongly support the right of individual companies to join together to purchase insurance coverage more effectively.

* Provide a mechanism that assures universal coverage which mandates universal participation in a public or private system.

* Mandate health care to be "portable" so that job loss or change does no deprive a person or family of insurability. Eliminate pre-existing conditions.

* Offer choice of plans and providers to employees, and allow the flexibility to offer only managed care plans. Why force corporations to go back to indemnity plans when point-of-service options within managed care plans offer the same degree of choice for individuals with added simplicity of administration?

* Provide companies that operate on-site wellness programs and other health promotion programs the opportunity to apply for premium discounts or receive other financial incentives for promoting these programs.

* Continue ERISA protection for self-funded plans.

* Eliminate favorable tax treatment of excess benefits. Individuals who wish to buy more coverage should buy it with after-tax dollars.

Thank you, Mr. Chairman, for this opportunity to present my views on health care reform legislation. I look forward to the opportunity to discuss my recommendations further and to participate in this important policy debate. I will be happy to answer any questions you and the other Committee members have.

THE WHITE HOUSE

WASHINGTON

August 12, 1994

Dr. J.B. Pratt, Jr.
Pratt Foods Supermarkets
P.O. Box 308
Shawnee, OK 74802-0308

Dear Dr. Pratt:

It was a pleasure meeting with you during my visit to Oklahoma. Thank you for writing and expressing your concern about the treatment of part-time workers under health care reform. The President and I appreciate the concerns of businesses who rely on part-time workers to survive in competitive markets.

The President has an unwavering commitment to guaranteeing private health insurance to all American families. And because nine out of ten Americans with private insurance get it through their employers, he believes that reform should build on the tradition of shared responsibility for health care costs between employers and employees. Without universal coverage, the poor will continue to receive health care through government programs and the wealthy will continue to be able to afford to purchase coverage, while the middle class will remain at risk. Twenty-four million Americans, most of whom work hard to earn a living, will have no insurance coverage at all, and one million will continue to lose coverage each month. And without universal coverage, cost shifting and the need of individuals without insurance to rely on expensive emergency care will continue, causing health care costs to rise.

You mentioned that, as a small businessman, the cost of providing health insurance for part-time workers will place a significant financial burden on your company. As you may know, Congressman Gephardt and Senator Mitchell have introduced health care reform bills that include provisions to offset the costs of covering part-time workers. Employers would be required to pay only a pro-rated portion of the premium payment for part-time workers, based on the ratio of the hours worked up to 120 hours per month. No employer payment would be required for employees who work less than 40 hours per month or for employees who are covered as a dependent child under a parent's policy.

Further, the Gephardt and Mitchell bills include other provisions to offset the burden on small businesses like yours. The bills include subsidies for small businesses to limit their premium contributions. In addition, both bills give small businesses and individuals the opportunity to bargain for and purchase health insurance on the same basis as large employers by allowing them to join voluntary, non-governmental purchasing cooperatives. No longer will small businesses pay as much as 35 percent more than big businesses for the same health insurance. And no longer will small businesses pay administrative costs that amount to as much as 40 percent of their health care costs, compared to five percent for big businesses.

Thank you again for writing and expressing your concerns. This nation now has an historic opportunity to change our health care system to make it work for all of us. The President and I look forward to continuing to work to guarantee affordable, private health insurance to all American families.

Sincerely yours,

Hillary Rodham Clinton

Hillary Rodham Clinton

cc: The Honorable Bill K. Brewster

BILL K. BREWSTER
3D DISTRICT
OKLAHOMA

WAYS AND MEANS
COMMITTEE

WASHINGTON OFFICE:
1727 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3603
(202) 225-4565

Congress of the United States
House of Representatives
Washington, DC 20515-3603

DISTRICT OFFICES:
232 POST OFFICE BUILDING
P.O. BOX 1607
ADA, OK 74820
(405) 436-1980

101 WEST MAIN STREET
ARDMORE, OK 73401
(405) 226-6300

118 CARL ALBERT FEDERAL BUILDING
MCALESTER, OK 74501
(918) 423-5951

123 W 7TH AVENUE, SUITE 206
STILLWATER, OK 74074
(405) 743-1400

June 20, 1994

Mrs. Hillary Rodham Clinton
Office of the First Lady
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mrs. Clinton:

At the request of my constituent, Dr. J.B. Pratt, I am forwarding a letter he delivered to you during your recent visit to Rep. Mike Synar's district.

I very much appreciate the invitation you extended to meet with individuals from Oklahoma. Dr. Pratt met with you during this visit at my invitation. He would very much appreciate a response from you on the issues he mentions in his letter.

Thank you for your continued hard work on health care issues!

Sincerely,

Bill K Brewster

Bill K. Brewster
Member of Congress

BB/jl

PRATT FOODS
SUPERMARKETS

P. O. Box 308

Shawnee, OK 74802-0308

April 8, 1994

Mrs. Hillary Rodham Clinton
The White House
Washington, D. C. 20001

Dear Mrs. Clinton:

I am an independent owner/operator of nine supermarkets in central Oklahoma.

I am also a health and child advocate, just as you are. I was graduated from Baylor College of Medicine and finished an internship before joining my father's business.

I want to express my appreciation for the efforts of the Clinton administration to reduce pesticide use on crops and to improve the school lunch programs in this country for our children.

I know our health care system needs to be reformed. There are many good parts to the administration's plan such as prevention and education, malpractice reform and administrative simplification.

My concern as a small businessman, however, is that entry level, part time jobs will be lost and service businesses like mine will not be able to survive the expense of covering part time personnel with health insurance.

The cost to the average supermarket has been calculated to exceed $100,000 per store by the Food Marketing Institute. Based on current profit levels I would be forced to lay off nearly all part-time personnel. This would threaten my company from a service stand point, since our company has used service as a competitive tool against chain stores.

Mrs. Clinton:

I have a number of ideas which I will be happy to share with you or your staff which will increase self-responsibility, education and prevention regarding health, while providing health care options.

Sincerely,

J. B. Pratt, Jr.

JBP/sm