FOIA Number: 2006-0885-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Health Care Task Force

Series/Staff Member: Simone Rueschemeyer

Subseries:

OA/ID Number: 3625

FolderID:

Folder Title:
Small Business Heroes 3/22/1994

Stack:	Row:	Section:	Shelf:	Position:
S	56	3	7	2

"SMALL BUSINESS HEROES" EVENT:
Selected Excerpts
March 22, 1994

MONA CASTILLO
Monarch Graphics -- Chicago, Illinois

- *By that I mean I have covered our employees 100 percent as an incentive to work for us. However, during the last few years we have encountered some problems, and the problems are that two of our employees are uninsurable. Why? One is over the weight scale according to the insurance companies. . . And what's happening, they feel discriminated against. I want to continue insuring them, but how can I do it? Our payroll -- it takes about 15 percent of our payroll, which is a lot for a small company.*

BETTY HALL
Hall Manufacturing Company -- Brookline, New Hampshire

- *And then about three years ago, both of those companies decided that they couldn't offer health insurance groups to companies as small as mine.* ***Under 25 employees – they don't even think you're a business at all. . . I tried to convince them that they should continue to insure my employees because I felt I was willing to pay my share of their insurance and I ought to be allowed to do that.*** *So Blue Cross/Blue Shield was unmoved, but Matthew Thornton did continue to cover my employees. But some of them don't want to be covered by Matthew Thornton, they wanted to stay with their own doctors. And ultimately, they had to go off the group plan that was dissolved and go into a non-group insurance. My employees have been around for 43 years with me, and I think one of the reasons they stayed with me so long was because of offering health insurance.*

STEPHEN HIGHTOWER
Hi-Mark Corporation -- Franklin, Ohio

- *"It wasn't until about 10 years ago that we started developing our company to the degree that we were able to provide health insurance. . . and until that took place, until we were able to offer benefits, we were not able to get people that would stay. We were not able to get quality people. And our business just became more and more competitive as we were able to provide these types of insurance . . . But now our insurance is running us over 14 percent of our payroll.*

MURRAY HOROWITZ
City Pawn Shop -- Baton Rouge, Louisiana

- *And what we're having to do are things like drastically increase our deductibles, switch companies to find better policies, but the overriding problem is those employees that we have that are not insurable. And we've got a very valued employee right now, an assistant manager who has preexisting conditions, and we can't get insurance . . . we spend so much of our productive time, and he spends so much of his time and our staff spends time just dealing with his health care problems.*

BRIAN MCCARTHY
McCarthy Flowers -- Scranton, Pennsylvania

- *The problem is that if the floral business is to truly attract people and take them from their welfare rolls, especially those that are unskilled, we have to be able to not scare people into thinking they're going to lose benefits. That's been a significant problem for us. And if we're truly going to be a source of job growth in the future -- we have to be able to get these people to leave the welfare rolls and come with us . . . we, too, have recognized the value of becoming bigger to get better buying power. . . if we're going to continue to grow we have to also attract talented people.*

CHRIS MOSS
The Potomac Consulting Group -- Arlington, Virginia

- *On the other end of the spectrum, we're passing up business because we want to grow and there's people we want to hire and we can't hire them. We know a person in particular we'd love to hire who's got a couple of kids; and they've got some congenital birth defects. We cannot talk to this person because we understand that it's going to destroy our ability to have health care for the whole company. And that's not right. That's hurting us and it's hurting our business.*

KATHLEEN PIPER
Pied Piper Flower Shop -- Yankton, South Dakota

- *When people can sit down and crunch their own numbers -- most small businesses are like ours, there are maybe 8 or 10 employees -- they will find, I am sure, what we found, that our family insurance policy right now is less than $400 per month. We could insure all of our families with the Clinton plan -- all families in our business for less than $400 a month with the cap and because of the lower income and the smaller number of employees . . . There's two kinds of people, I figured out, that don't want to change. And those are people who have someone else paying the whole bill for them, and people who have never been sick. Otherwise, pretty much across the board, people want change.*

SPENCE PUTNAM, Chief Operating Officer
Vermont Teddy Bear Company -- Shelburne, Vermont

- *We truly have universal access for teddy bears. And it's frustrating that we have difficulty providing that for our employees. . . Our company was a struggling company only four -- a little over four years ago. We had less than two dozen employees, and at that time, the most vexing business problems was how to provide coverage for our employees. We now have over 200 employees, and the most vexing business problem we have today is how to provide coverage for our employees.*

ERIC SKLAR
Burrito Brothers -- Washington D.C.

- *We want our employees to be insured and the reason they say it's good for business is that employees who have health care insurance miss fewer days of work, they are more productive when they are at work, and also, if their families are insured, that's even more so the case . . . rhetoric versus employment: I can assure you that there's not going to be a single job lost if the insurance plan that you are proposing goes into effect. The fact is we will pay more. And we're willing to do that because we want our employees insured. But under the plan you're proposing, we'd still be paying half of what it would cost right now to fully insure our employees.*

GARTH SHERIFF
Sheriff Associates -- Los Angeles, California

- *. . . I dropped health insurance. And it hurt me deeply because I think that's a responsibility in this country. . . But we have a preexisting condition. It's a silent preexisting condition . . . it's age. We have exactly the high technical, high-skilled kind of positions that you, President Clinton, and the Vice President have talked about. . . The average age of my staff is over 40. The actuarial tables are like a laser beam in the insurance industry. They show no mercy, and when it got to over 13 percent of my payroll, I had no choice.*

JOHN SORENSON
WECO Supply Company -- Fresno, California

- *As a salesman for my company, [Randy Walker] was married, had two children, and one of the children was born prematurely, and the insurance bills were 30-some thousand dollars. And they occurred right at the time where he had left his previous employer and come to work for my company, and he thought he had a 60-day grace period that it was going to pay for the coverage. It didn't, and we all advised him to seek advice. And it came up that the best solution was to file bankruptcy.*

ELAINE STONE
American Aviation International Corporation -- New York City

- *"We decided to take what really is an enormous risk, but based on our experience rating at the time, we felt it would save money, and that was to go into a self-insured plan -- split funding, whereby the company would assume the risk of $5,000 in medical claims before the insurance company kicked in. . . I also feel that [health reform] should be done through the workplace because it's something that we are used to. Most of us, from the day we started working, have been covered through the workplace. It's what we're used to. That would be the least dramatic change if there are other changes.*

JUDITH ANN WICKS
White Dog Cafe -- Philadelphia, Pennsylvania

- *I've been a little surprised at the reaction from the restaurant community against the health care reform plan because I'm very much in favor of it. We cannot afford to provide health insurance for all those employees. The thing that really excites me about the health care plan is that under that plan we would be able to provide for all of our employees without that much of an increase. My health care costs would double, but I am very happy about that because if you look at the whole picture we would only have to raise our prices no more than around two percent to make up that difference. . .* ***So the way I figure it, if all the restaurants together raise their prices about two percent, we're not an industry that's going to lose our customers to Mexico.*** *I don't see why health insurance is not available to restaurant workers where it is available to most other industries. So this is a great chance for the restaurant industry to really be in competition with others for workers.*

THE WHITE HOUSE

WASHINGTON

April 28, 1994

MEETING WITH HOWARD SCHULTZ, C.E.O. OF STARBUCKS COFFEE COMPANY

DATE:	**Friday, April 29**
LOCATION:	**Oval Office**
TIME:	**10:25 a.m.**
FROM:	**Meeghan Prunty** **Christine Heenan**

I. PURPOSE

The meeting is part of an Administration-wide effort to focus on guaranteed health benefits at work in order to influence Congressional committees debating this topic. By meeting with Schultz you will bring attention to a company that provides comprehensive health benefits to all their workers, full-time and part-time, and a C.E.O. who credits his company's enormous growth and profitability to the competitive advantage of keeping workers longer by providing them good benefits.

II. BACKGROUND

Starbucks Coffee -- based in Seattle, Washington -- is North America's leading roaster and retailer of specialty coffee, with more than 300 coffee shops in ten states, Washington, DC, and British Colombia. They have almost 4,800 employees, 80% of which work part-time. It was named one of the fastest growing American companies in 1993 by *Fortune Magazine.*

C.E.O. Howard Schultz believes that a generous and comprehensive employee benefits package for all workers is the key to the company's competitiveness and growth: *"Our only sustainable competitive edge is the quality of our work force . . How we treat our people is directly related to how we treat our customers and to the quality of our product. It's inarguable that our part-timers are key to the company's success."*

Their health insurance package includes medical, dental and vision coverage -- with a strong emphasis on preventive care -- as well as mental health counseling, a 24-hour crisis hotline, prescription drugs, and a benefit help line. Starbucks also gives company ownership to all their employees through their *Bean Stock* stock option program, as well as providing disability, a 401 (k) retirement and savings plan, and a pound of coffee a week for all employees.

Most fast-food chains or other retailers have low direct labor costs because they pay low wages and provide little or no benefits. But they have high hiring, training and retraining costs as a result of employee turnover that can be as high as 300 percent. Schultz has a very different approach: he provides good benefits, which raises his labor costs, but has a turnover rate of less than 50 percent. Starbucks' employees stay with the company for 18 months to 2 years on average -- three times the food industry average.

Starbucks has analyzed the cost of hiring, training, and losing people compared to the cost of providing health benefits and found that the cost of benefits is much lower. As Schultz says: *"For many companies, improving the bottom line means slashing employee benefits. At Starbucks Coffee Company* ***adding*** *benefits for part-time and full-time employees is leading to a healthier workforce and bottom line.* ***The longer an employee stays with us, the more we save."***

And Starbucks posts higher profit margins every year, sales have grown at almost 80% over the last three years, and the stock price has gone up quarter after quarter.

Mr. Schultz' own experience has also contributed to his company policy: *"My dad was a blue collar worker. He didn't have health insurance or benefits and I saw firsthand the debilitating effect that had on him and on our family. I decided that if I was ever in a position to make a contribution to others in that way, I would."*

III. PARTICIPANTS

Howard Schultz, President, Chairman and C.E.O. of Starbucks Coffee Company

IV. PRESS PLAN

Closed press. A White House Photographer will be present.

V. SEQUENCE OF EVENTS

- You will meet with Mr. Schultz in the Oval Office for about 10 minutes.

- You will proceed with Mr. Schultz to the Regional Press Briefing in the Cabinet Room with Washington state, Montana, and Oregon media.

- You may want to introduce Mr. Schultz for a brief statement after your opening remarks. The press will then ask questions of both of you.