**FIRST LADY HILLARY RODHAM CLINTON**
**NORTH CAROLINA WASHINGTON ISSUES SEMINAR**
**CANNON HOUSE OFFICE BUILDING**
**JUNE 14, 1994**

**TALKING POINTS**

**[Acknowledgments: Rep. Bill Hefner, who started the seminar; and Reps. Stephen Neal, Tim Valentine, Martin Lancaster, and Charlie Rose. Note: Gov. Hunt will not be present but you might want to acknowledge is contributions ono health care issues]**

* The viability of businesses in North Carolina, and across the country, depends on our ability to get control of our economy. That's why health care reform is so critical.

* Over the past eight years, health care costs for American businesses have almost doubled. Today, businesses that cover their employees also pay for those who don't -- shifting about $25 billion a year onto those with private insurance.

**HOW REFORM WILL WORK FOR BUSINESSES**

* Businesses will have an active role in setting up health plans for their workers.

* Market forces will help control costs by bringing market forces to bear in the health care system

* Businesses will benefit from administrative savings by reducing regulation that eats up 15 cents of every dollar

* Back-up premium caps will limit growth in what businesses and individuals pay for the comprehensive benefits package

* Shared responsibility, payroll caps, and tax deductibility will make sure that businesses don't bear an unfair burden for healthcare financing.

**WHAT REFORM MEANS FOR BUSINESSES**

* Leading CEOs say reform will help competitiveness

* No more corporate cost-shifting, no more corporate free-riders

* A stronger national economy

**TOBACCO STATE CONCERNS**

* Tobacco accounts for about 20 percent of North Carolina's total crop income and represents about 8 percent of the state's economic output.

* The President's approach tries very hard to balance the Administration's concerns about tobacco growers against the health consequences of tobacco use. Smoking raises medical expenditures and increases the burden on public and private sources of health care funds.

* Tobacco taxes are a fair way to support health care.

* A tobacco tax increase of 75 cents per pack would save about 900,000 lives.

**WHAT REFORM WILL MEAN FOR A STATE AS DIVERSE AS NORTH CAROLINA**

* **RURAL HEALTH** About 49 percent of the state's population lives in rural areas. Many rural residents suffer from doctor shortages and an uneven distribution of primary care facilities. In Casewell County, the physician-to-resident ration was 1 to 7,400 in 1989, meaning most county residents must go elsewhere for hospitalization and treatment of serious illnesses.

* The state is a leader in rural health efforts, having been the first to establish an office of rural health in 1973. The state has also funded a system of primary care clinics in underserved areas.

* Reform will offer unprecedented incentives to bring health care providers to rural areas -- through tax incentives, scholarships, loan forgiveness programs, and workforce initiatives.

* **ACADEMIC HEALTH CENTERS** North Carolina has very sophisticated medical care through its advanced medical centers, notably Duke Medical Center, the North Carolina Memorial Hospital (in Durham), Pitt Memorial in Greenfield, and Baptist Memorial in Winston-Salem.

* Health care reform recognizes the crucial role of Academic Medical Centers in training physicians and in providing state-of-the-art care.

* **VETERANS** The state has 14 military bases and about 160,000 military personnel. Reform will give veterans more choices about how and where they receive their care.

**FISCAL IMPACT OF REFORM ON NORTH CAROLINA**

* With reform, the state can save at least $902 million, according to an HHS state-by-state analysis.

* The state would save at least $787 million between 1996 and 2000 in expenditures for Medicaid and community-based long-term care.

* Employers in North Carolina that now offer insurance will pay $387 million less in premium payments by the year 2000 than they would without reform

**NORTH CAROLINA HAS ALREADY LAUNCHED SOME OF ITS OWN HEALTH CARE INITIATIVES**

* The health care reform act of 1993 establishes insurance and delivery reforms, including voluntary purchasing pools, a basic benefits package, and adjusted community rating for small groups. Insurance reforms include guaranteed renewal, portability, and rating bonds.

Congress of the United States
House of Representatives

Steve Neal
5th District, North Carolina

Date 3-16-94

# FACSIMILE TRANSMISSION SHEET

ATTN: Patti Solis
1st LADY - Scheduling
FX 456-2317

Number of Pages (including cover sheet) 3

FROM: Rob Wrigley

IF THERE IS A PROBLEM WITH THIS TRANSMISSION, PLEASE CALL (202) 225-2071

Thanks for your help!

RW

# Congress of the United States
Washington, DC 20515

File June 14

February 16, 1994

First Lady Hillary Rodham Clinton
The White House
Washington, D.C. 20500

Dear Mrs. Clinton:

On June 14th, we will be hosting the annual Washington Issues Seminar on Capitol Hill for businesspeople from our five congressional districts. We would consider it a high honor and a personal favor if you would join us that morning to address our constituents.

We know that the demands on your time are extreme, but we are convinced that this would be time well spent. Please consider that our combined congressional districts literally span the length and breadth of our State. The approximately 350 people who attend each year represent virtually every segment of our business community -- from farming to microprocessing to medicine to newspaper publishing. Most of those attending also hold positions of community leadership. This would be an exciting opportunity for our constituents. But we are convinced that this would be an excellent opportunity for you and the Administration to reach out to these influential citizens.

This Seminar has always attracted high level officials from the federal government, including the President's cabinet, the Supreme Court and congressional leaders. Speakers to the 1993 Washington Issues Seminar, for example, included Secretaries Bentsen, Shalala, Jesse Brown, Attorney General Reno and Ambassador Kantor. This was the first year since launching the program that we were able to introduce to our constituents members of a Democratic Administration. All the speakers were well received and the comments from our constituents that followed were very encouraging.

We hope that you will give favorable consideration to our request. Your staff may want to call Rob Wrigley, at 225-2071, to discuss the program. The Seminar is from 8:45am through 1pm, and will take place in the Caucus Room, 345 Cannon House Office Building. We generally allot 1/2 hour to each speaker, including a few minutes of questions, if you like. We would, of course, work to accommodate your schedule. The program is usally broadcast by C-SPAN. An early decision would be very helpful.

Thank you.

Sincerely,

STEPHEN L. NEAL, MC

W. G. "BILL" HEFNER, MC

TIM VALENTINE, MC

H. MARTIN LANCASTER, MC

CHARLIE ROSE, MC

THE WHITE HOUSE
WASHINGTON

March 16, 1994

The Honorable Stephen L. Neal
U.S. House of Representatives
2469 Rayburn House Office Building
Washington, D.C. 20515-3305

Dear Representative Neal:

Thank you for your kind letter inviting Mrs. Clinton to attend and address the annual Washington Issues Seminar on June 14, 1994. She greatly appreciates your hard work and dedication to your constituents.

Since it is difficult to know what the First Lady's upcoming official schedule will be, I am unable to make a commitment for her at this time. While it is unlikely Mrs. Clinton will be able to accept your invitation, please be assured that we will keep it in mind and contact you if we can accommodate your request.

Mrs. Clinton appreciates your thoughtfulness and sends her best wishes.

Sincerely,

Patti Solis
Special Assistant to the President
Director of Scheduling
for the First Lady

THE WHITE HOUSE

WASHINGTON

APRIL 22, 1994

Patti
Fill June 14

MEMORANDUM FOR PATTI SOLIS

FROM: LORRAINE MILLER
DEPUTY ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS

SUBJECT: NORTH CAROLINA DELEGATION

Enclosed please find a letter from the entire Democratic delegation from North Carolina asking Mrs. Clinton to speak at their Washington issues conference June 14.

This request is very important to the delegation (and this delegation is very important to the President's legislative agenda) and Legislative Affairs asks that it be seriously considered.

If you have any questions, please call me at x66620.

I would appreciate it if you would let me know your further response to the delegation.

SM - Should do. Find out what kind of event. Does HRC get to talk.

W.G. (BILL) HEFNER
8TH DISTRICT, NORTH CAROLINA

2470 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-3715
FAX (202) 225-4036

COMMITTEES:
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON DEFENSE
CHAIRMAN: SUBCOMMITTEE ON MILITARY CONSTRUCTION

# Congress of the United States
## House of Representatives
## Washington, DC 20515-3308

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April 20, 1994

First Lady Hillary Rodham Clinton
The White House
Washington, D. C. 20500

Dear Mrs. Clinton:

We wrote to you on February 16, 1994, inviting you to speak to our annual Washington Issues Seminar on Tuesday, June 14, 1994. We enclose a copy of the letter for identification purposes.

A response to our invitation was received from Patti Solis of your staff indicating that is was unlikely that you could accept our request for the reasons set forth in her letter.

We realize the many demands made on you, as well as the problem in scheduling events far in advance. Nevertheless, we strongly urge you to reconsider. We remain convinced that this event affords the Administration a unique opportunity to reach out to a very influential segment of our districts. Significantly, our combined Congressional districts literally span the length and breadth of North Carolina.

Mrs. Clinton, we are committed to the success of the Clinton Administration. Considering the Seminar will be held during the height of Congressional consideration of the President's most important proposals, we believe your participation will help our constituents understand the hard decisions we all must make.

With highest personal regards, we are

W. G. (Bill) Hefner

H. Martin Lancaster

Steve Neal

Charlie Rose

PATTI / HRC / Maggie

(1) ~~Sid Blumenthal~~ Lunch

(2) NC Delegation: (yes)

Annual Chamber of Commerce

Washington Issues Seminar

- 1st Speaker 9:00 AM ± 9:45
- 350 Caucus Room Cannon
- C-SPAN usually carries.

Contact: Bill McQuin

225-3715

S.

# Congress of the United States

Washington, DC 20515

February 16, 1994

First Lady Hillary Rodham Clinton
The White House
Washington, D.C. 20500

Dear Mrs. Clinton:

On June 14th, we will be hosting the annual Washington Issues Seminar on Capitol Hill for businesspeople from our five congressional districts. We would consider it a high honor and a personal favor if you would join us that morning to address our constituents.

We know that the demands on your time are extreme, but we are convinced that this would be time well spent. Please consider that our combined congressional districts literally span the length and breadth of our State. The approximately 350 people who attend each year represent virtually every segment of our business community -- from farming to microprocessing to medicine to newspaper publishing. Most of these attending also hold positions of community leadership. This would be an exciting opportunity for our constituents. But we are convinced that this would be an excellent opportunity for you and the Administration to reach out to these influential citizens.

This Seminar has always attracted high level officials from the federal government, including the President's cabinet, the Supreme Court and congressional leaders. Speakers to the 1993 Washington Issues Seminar, for example, included Secretaries Bentsen, Shalala, Jesse Brown, Attorney General Reno and Ambassador Kantor. This was the first year since launching the program that we were able to introduce to our constituents members of a Democratic Administration. All the speakers were well received and the comments from our constituents that followed were very encouraging.

Does this make sense?

June 13, 1994

# NORTH CAROLINA DELEGATION WASHINGTON ISSUES SEMINAR

| | |
|---|---|
| DATE: | Tuesday, June 14 |
| TIME: | 10:30 am |
| LOCATION: | Cannon House Office Building<br>Caucus Room |
| FROM: | Liz Bowyer |

## I. PURPOSE

To attend a Washington Issues Seminar hosted by the North Carolina Democratic delegation, and speak to a group of approximately 300 influential North Carolina business leaders about the Clinton plan and its implications for business in states like North Carolina.

## II. BACKGROUND

Congressman Bill Hefner started the Washington Issues Seminar about 10 years ago in an effort to strengthen his political position with business leaders from his district. Since then, Congressmen Stephen Neal, Tim Valentine, Martin Lancaster and Charlie Rose have joined the annual seminar, which consists of a reception with the North Carolina Democratic delegation, and a half day of briefings with top governmental officials on significant issues affecting the business community.

Between 300 and 350 participants representing a broad cross section of the North Carolina Chamber of Commerce attend the seminar each year (participants register through their local Chambers.) Almost every segment of the North Carolina business community -- including farming, microprocessing, medicine, and newspaper publishing -- is represented. The delegation's hope is that by giving some of their leading business constituents an opportunity to interact with top officials and see first-hand how Washington operates, the business community will be more understanding of the difficult political and substantive decisions the Members have to make, and more likely to be supportive in the future.

In past years, the Seminar has attracted high-level officials, including Congressional leaders and members of the Cabinet and the Supreme Court. Other speakers this year include Secretaries Bentsen and Cisneros, SBA Administrator Bowles, CIA Director Woolsey, and Representative Dingell.

While the audience leans to the more conservative side, the group has been known in past years to be receptive to many different views. Q & A will obviously focus on the impact of reform on business, with some emphasis on the tobacco industry.

III. PARTICIPANTS

HRC
Congressman Bill Hefner
Congressman Martin Lancaster
Congressman Stephen Neal
Congressman Charlie Rose
Congressman Tim Valentine
300 - 350 business leaders

IV. SEQUENCE OF EVENTS

V. PRESS

Open press [The seminar gets a good amount of coverage from the North Carolina press, and is usually covered by C-SPAN.]

VI. REMARKS

Talking points provided by Lissa Muscatine.

THE WHITE HOUSE

WASHINGTON

**MEMORANDUM FOR THE FIRST LADY OF THE UNITED STATES**

**FROM:** John Hart, Deputy Assistant to the President for Intergovernmental Affairs

**DATE:** June 13, 1994

**SUBJECT:** North Carolina and the Health Security Act

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## I. BACKGROUND

North Carolina is badly in need of health care reform, but the legislature has been unwilling to adopt comprehensive reform. Rural residents, employees of small businesses, and farm workers are hardest hit by the problems of the health care system. Reform legislation passed in 1993 established the North Carolina Health Planning Commission, and starting in 1994, the Commission will work to develop a plan for expanded coverage in the state. Although the 1994 abbreviated legislative session will be limited to budgetary issues, work may proceed on developing community health districts to oversee the delivery of services and local health regulations, as recommended by the Health Planning Commission. The Governor is also expected to present a report on the consolidation of health functions in one department.

A survey of 207 doctors in November 1993 showed that 38% wanted to keep the current system, 37% wanted managed care reforms comparable to the HSA, and 25% wanted a single-payer system like Canada. Sixty-nine percent were dissatisfied with the current reimbursement methods. Pediatricians and rural physicians were more likely to prefer the single-payer system, stemming from the belief that managed care cannot work in rural areas.

Reforms that have already been initiated by the state are in line with those in the President's proposal. Targeted areas of reform have included rural care and access, and competition among providers/vertically integrated plans in urban areas such as Mecklenburg County. As the state moves toward comprehensive reform and universal coverage for all North Carolinians, its efforts will be bolstered by national reform.

It is surprising to note that with about 50% of the state designated as rural and/or underserved areas, the state's uninsured population mirrors the national average. How is

this possible? The mitigating factor is probably that the greatest number of the state's workforce is in manufacturing companies - companies that typically provide health coverage for their employees.

## II. ISSUES OF CONCERN WITH THE HEALTH SECURITY ACT IN NORTH CAROLINA

***The Tobacco Industry and the Tobacco Tax in North Carolina***

Tobacco runs the length and breadth of the state. Almost 250,000 (1 in 11) North Carolinians work directly or indirectly in tobacco production and trade. Tobacco accounts for roughly 20% of the state's total crop income. Tobacco's overall economic value is approximately 8% of the state's economic output. The North Carolina Department of Agriculture stated that an increase in the tobacco tax of $0.75 would mean an annual loss in revenue of approximately $9,400 for each tobacco farm. *Needless to say, the "tobacco issue" in North Carolina is a political hot button, not only for the President, but also for local officials.*

***Response*** - The tax on tobacco will ensure that those who smoke pay for the health costs that smoking causes.

- The HSA tries very hard to balance the Administration's concerns about the tobacco growers...against the health consequences of tobacco use, the need to discourage use among young people, and the belief that tobacco taxes are a fair way to support health care.

- Smoking both raises medical care expenditures over the smoker's lifetime, with costs rising the more one smokes, and increases society's expenditures for medical care as well as the burden on public and private sources of funds. Reductions in the number of persons who ever smoke and the amounts smoked will benefit all payers of medical care, decreasing the financial obligations of both public and private sources of funding.

- A tobacco tax increase of $0.75 per pack, over time, would save about 900,000 lives. A $2 pack increase would save about 1.9 million lives.

***Rural Health and Access***

North Carolina has a very large rural population - slightly more that 49% of the state's total population. Many of the state's small counties suffer from an uneven distribution of primary care facilities and doctor shortages. In Caswell county, for example, the physician-to-resident ratio was 1 to 7,400 in 1989. For serious illnesses requiring hospitalization, residents must leave Caswell to receive proper care. *A major concern among North Carolinians appears to be how to attract physicians to and keep them in*

*rural and underserved areas, and then maintain quality care under a managed competition model.*

***Response*** - The HSA develops strategies for delivering and financing health care in rural areas, making care more easily affordable, and attracting doctors and nurses to and keeping them in rural areas.

- The HSA provides affordable, secure health care that can never be taken away.

- The HSA provides workforce initiatives, such as tax incentives, increased reimbursement, retraining, scholarships, and loan forgiveness programs, for doctors to locate in underserved areas.

- Through developing and expanding systems of care, the HSA allows 1) states to require health plans to cover all or specific parts of a regional alliance area as a condition of contracting with an alliance, 2) alliances to offer incentives to health plans to encourage them to provide coverage in rural areas or to help establish new plans, and 3) rural providers to be eligible for transitional protection as essential community providers.

- The HSA requires essential community provider certification to assure that rural hospitals will be integrated into health plans.

- The HSA increases access to care and provides adequate choice of providers and plans by expanding the system's capacity and increasing the number of primary care providers, especially in underserved rural areas. For example:

  - The HSA builds on the strengths of successful programs, such as community and migrant health centers, which receive increased funding to expand the number of people they serve.

  - Through the new capacity expansion program, funds are authorized for 1) integrating into the reformed system of care providers who now care for the low-income people and 2) helping them work together and negotiate effectively with plans. Grants and loan guarantees are also available to help rural providers establish new practice sites and renovate existing sites.

  - The essential provider provisions help assure the viability of health care providers

who have been successfully serving vulnerable populations by requiring that health plans contract with all certified essential providers in their area.

- A five-fold expansion of the National Health Service Corps' field strength and tax incentives for non-NHSC primary care providers will help assure that there are more people providing care in underserved areas.

- Through a new flexible enabling service program and additional services from existing PHS programs, the HSA provides outreach, transportation, translation, and non-medical case management to ensure that underserved populations will be able to overcome non-financial barriers to care.

- The HSA encourages health networks and cooperative relationships which are key to the managed competition approach.

  - Technical and financial assistance will be provided to develop networks. This will help the rural communities that need outside expertise to establish links with larger referral centers and academic health centers.

  - Grants will be provided to support the development of telecommunications links between underserved providers and other providers, health care centers and institutions.

  - New grants will be provided to academic health centers to help build information and referral infrastructure needed to support rural health networks.

- It is important to note that the HSA affords states the necessary flexibility to design the health care delivery system that best suits their specific needs.

***Farming and Small Business***

A large population of individuals are employed by small business and/or agricultural companies. Since North Carolina is not densely populated and many farmers and small business employees do not receive coverage through work, the state has a significant number of underserved and uninsured - just over 29% and 16%, respectively. In fact, of the state's working uninsured, about half work for small

businesses. Businesses in rural areas across the state are almost exclusively small employers.

***Response*** - It is important to note that the HSA provides subsidies for small businesses, provides discounts up to 80% for businesses with less than fifty employees and creates large purchasing pools that enable small businesses to get the same deal as large businesses from the insurance companies.

- The gradual phase-in of and subsidies for small business will allow all small businesses to cover their employees without the burden of exorbitant premium costs.

- Insurance companies will have to accept all who apply for coverage.

- The HSA makes it illegal for health plans to raise premiums if an employee gets sick.

- Administrative costs will be drastically reduced because the regional health alliance will assume the administrative burden for the small business - administering benefits, enrolling employees, negotiating and renewing coverage, and bargaining for reasonable coverage.

***Medicaid***

In 1992, 785,000 North Carolinians were Medicaid recipients. In the same year, the state spent more than $2 billion on Medicaid payments - just over 15% of the state's annual budget.

***Response*** - The HSA will integrate Medicaid into the new system and help relieve states' fiscal pressures.

- Integration of Medicaid into the new health care system will provide substantial fiscal relief to state and local governments. Current non-cash assistance Medicaid recipients will no longer rely on Medicaid for their health coverage. They will be provided coverage through the alliances based on their employment status, like everyone else.

- Medicaid will make payments to health plans on behalf of AFDC and SSI cash recipients based on prior levels of spending for these populations in a state. Payments to alliances will be tied to the rate of growth of the budget rather than higher levels currently projected. This will free up state resources for other pressing concerns.

***Teaching Centers***

Despite its problems with limited coverage, North Carolina boasts sophisticated medical care. The most advanced medical centers are located in urban areas - and near university campuses - out of reach for many of the states residents. Notable medical institutions include the Duke Medical Center in Durham, the North Carolina Memorial Hospital in Durham, Pitt Memorial/ East Carolina Medical Center in Greenfield, and the Baptist Memorial Hospital in Winston-Salem. While these institutions initiate research and perform innovative, specialized medical procedures, they are staffed with many health care specialists and often have higher than average medical costs.

***Response*** - Under the HSA, academic health centers will continue to train physicians and provide state-of-the-art care.

- The HSA sets aside a portion of all health insurance premiums specifically for academic health centers. Resources will be channeled to centers by a formula that recognizes each center's contributions to education, research, and patient care.

- While most Americans will not obtain regular care at an academic health center, the HSA ensures that every American has access to the specialized care offered at an academic health center if conditions warrant such treatment.

- Health plans will cover the costs of routine patient care associated with research conducted in academic health centers. This will enable academic health centers to continue to develop the advanced and highly specialized care they provide today.

***Veterans***

With 14 military bases in the state, and about 160,000 military personnel, out of a total population of about 7 million, a significant number of North Carolinians are eligible for medical care through Veterans hospitals. The Veterans Affairs Medical Center in Durham treats about 9,000 inpatients and 120,000 outpatient a year. Under the current system, VA hospitals are required to provide free care to specific groups of veterans, including those with service-connected problems and those who are low-income. Other veterans can use VA facilities if space and resources are available. Under the HSA, veterans with duty-related problems or limited funds would continue to receive free care, while all others would have equal access, with a 20% copayment. This change, though appealing to veterans, is of concern to some administrators of Veterans hospitals who

fear that the hospitals will not have the capacity to meet the needs of the additional patients.

***Response*** - The HSA will give veterans more choices about how and where they receive care. The plan will preserve veteran benefits, increase veteran health care system flexibility, and maintain specialized services. The VA will become a health plan option to all Veterans while also contracting out for care to provide for additional Veterans.

- Low income Veterans and those with service-connected disabilities currently served by the Department of Veteran Affairs will receive the benefits they do today.

- Congress will continue to fund specialized services. Low-income Veterans and those with service-connected disabilities will have access to these specialized services whether or not they enroll in a VA health plan.

- In areas where Veterans' plans exist, Veterans who are not currently eligible for care through the VA will have the option of enrolling in Veterans' plans to receive the comprehensive benefits package. Veterans who enroll in a fee-for-service plan may obtain health care through the VA system. Under that arrangement, they will be responsible for any contribution required.

- The HSA provides the following financial provisions to aid VA hospitals:

    - VA's resource base becomes a combination of federal appropriations and revenues.

    - VA will be permitted to receive health alliance payments, enrollee premiums, copays and deductibles, and retain all third-party collections.

    - VA can borrow from a federal revolving fund to assist with health plan start-up costs.

- Under the HSA, unnecessary reporting requirements and inspections that currently burden VA institutions and providers will be reduced, freeing VA providers to concentrate on patients rather than paperwork.

- VA managers will be allowed to control budgets without traditional restrictions of line-

items or earmarked funds, and delegate more flexibility to VA clinics and hospitals.

## III. FISCAL IMPACT OF THE HEALTH SECURITY ACT IN NORTH CAROLINA

Under the HSA, North Carolina stands to save at least $902 million - as reported in the State-by-State analysis conducted by HHS.

- North Carolina would save at least $787 million between 1996 and 2000 in expenditures for Medicaid and community-based long-term care.

- As an employer, North Carolina would save $115 million in 2000 alone.

- Employers in North Carolina that currently offer insurance will pay $387 million less in premium payments in the year 2000 than they would without comprehensive reform.

- Workers in North Carolina who are employed by firms that currently offer insurance will pay $775 million less in premium payments in the year 2000 than they would without reform.

## V. RELEVANT HEALTH CARE REFORM EFFORTS AND PROGRAMS

*The Jeralds-Ezzell-Fletcher Health Care Reform Act of 1993*
The Act creates the North Carolina Health Planning Commission (see below). The Act also establishes insurance and delivery system reforms including creating voluntary purchasing pools, a basic benefits package, and adjusted community rating for small groups. Insurance reform includes guaranteed renewal, portability, and rating bands. The Act establishes the State Health Plan Purchasing Alliance Board with various administrative and procedural duties including creation of a single Alliance (Health Plan Purchasing Alliance) within each designated market area. The Act further contains provisions for a Certificate of Public Advantage program; medical school funding tied to increasing primary care specialties, with strategies designed to raise the graduation rate to 60% in state schools; hospital authority territories; prescription drug labelling and counselling; disposal of hospital surplus property; payments for medical records costs; and special contracting for Medicaid.

*North Carolina Health Planning Commission*
In 1993, the North Carolina Health Planning Commission was created to design a universal coverage proposal to be known as the North Carolina Health Plan. The Commission is due to report on April 1, 1994 and April 1, 1995. The Commission met once in 1993 but seems reluctant to take any further action until Congress votes on federal health care reform

legislation. The Commission's Executive Director is to present a timetable for the Plan to the legislature by September 1994. Republicans are concerned that the Democratic headed Commission will be too partisan.

Implementation of the Commission's Plan can only take place if one of the following conditions is met:

- a national mandate for universal coverage takes effect
- exemptions and waivers for ERISA, Medicaid, and Medicare are obtained
- a determination is made that universal coverage can be implemented within existing laws without hurting the state's economy

Study elements to be included in the plan include:

- budget targets
- cost containment measures
- risk-adjusted rates
- better services for rural and underserved areas
- preparation of outlines for implementation

***Health Access Forum***

Sponsored by North Carolina's Institute of Medicine, the Forum released a two part proposal on universal access to care and cost containment. Key to the proposal's approach is keeping health care delivery in the private sector through the concept of managed competition. The proposal relies mainly on elements of managed competition such as Community Health Plans and purchasing pools to achieve the two goals. The proposal included the following recommendations:

- a single-payer system (1% income tax and 4% payroll tax)
- Health Policy Commission that would define benefits in the basic package, qualifying CHPs, and making appropriate recommendations to the General Assembly (e.g., Medicaid waiver)
- cost containment through managed competition, medical practice parameters, expansion of primary and preventative care, and standardized claims forms
- the expansion of Medicaid and a waiver for enrolling recipients in CHPs

The legislature rejected the overall reform framework while adopting many components of the reform proposal in 1993.

***Rural Health***

Despite its problems with the rural underserved, North Carolina is a national leader in the area of rural health. It established the first state Office of Rural Health in

1973. In the last 20 years this office has established a state funded system of primary care clinics located in underserved areas that are predominately staffed by physicians assistants and nurse practitioners.

North Carolina was also one of the first states to establish an effective statewide system of Area Health Education Centers (AHECs). These serve as training sites for health profession students and as sources of continuing education for practicing health professionals. Additionally, the Resident/Student Stipend Program, a partnership between medical schools and the state, is designed to support AHECs. This program attracts medical students across the country to do their residency training in North Carolina while providing a flux of new primary care providers for rural communities. Moreover, 1993 legislation created provisions in which medical school funding is tied to increasing primary care specialties - to raise the graduation rate to 60% in state schools.

A high priority for Governor Hunt is the development of an information highway. This system would link major medical centers throughout the state via a fiber optic network. North Carolina is also developing a telemedicine system which would use high resolution pictures to allow professionals in urban and academic hospitals to communicate with clinics in remote locations.

***The Carolina Access Program***

The state recently began a Medicaid managed care program that serves 105,000 of the state's Medicaid recipients - 20% of those eligible for the managed care program. The Carolina Access Program provides primary care physicians for Medicaid recipients. It is currently available in 17 counties - to be expanded to all counties by 1995. According to Rod Finger, Assistant Deputy Commissioner of Insurance, the program has experienced some cost reduction and some improved care. The program will continue to expand.

North Carolina's Medicaid agency will implement a universal immunization plan approved last year and continue efforts to reduce infant mortality rates through the recruitment of OB/GYNs, outreach and intensive case management.

***Health Link Plan***

Asheville Area Chamber of Commerce members outlined their Health Link plan to the state Health Plan Purchasing Alliance Board on 4/18/94. The plan would allow businesses with fewer than 50 employees in western North Carolina to form a health insurance purchasing cooperative. Health Link organizers are hoping to enroll 1,400 small businesses with more than 11,000 workers in the first year. The chamber is asking the state for $500,000 to establish the alliance and run it for the first two years. After three years, the

alliance would be self-sufficient and financed by charging each employee $1/month for administrative costs and businesses an initiation fee of $100-$300.

## VI. STATISTICS

**State Rank**

6th - Infant mortality per 1,000 live births (10.8)
7th - Percentage of population underserved (29.6%)
19th - Percentage of population uninsured, 1993 (16.4%)
25th - Medicaid expenditures as a percent of state budget (15.4%)
35th - Percentage of population covered by Medicaid (8.9%)
35th - Medicaid payment per recipient ($2,654)
35th - Percentage of population enrolled in HMOs (5.5%)

**Medicaid**

| | |
|---|---|
| 785,000 | - Medicaid recipients, 1992 |
| $2,083,000,000 | - Medicaid payments, 1992 |
| $2,654 | - Medicaid payment per recipient |
| 15.4% | - Medicaid expenditures as a percent of state budget, 1992 |
| 65.92 | - FMAP, 1993 |

# THE WHITE HOUSE

White House Office of Communications Research
OEOB Room 197
Washington, D.C. 20500

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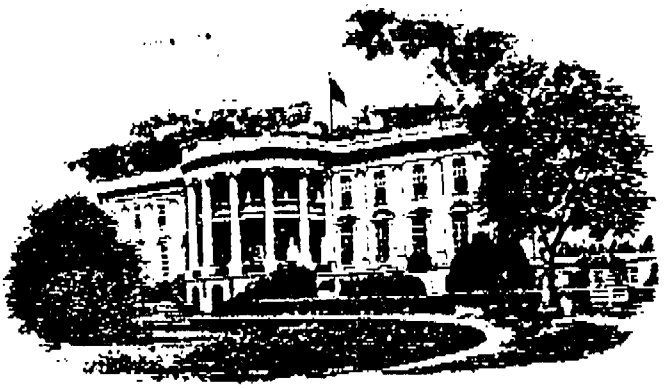


DATE: _____

TO: Ken Thorpe

FAX NO.: _____

FROM: Liz Bowyer

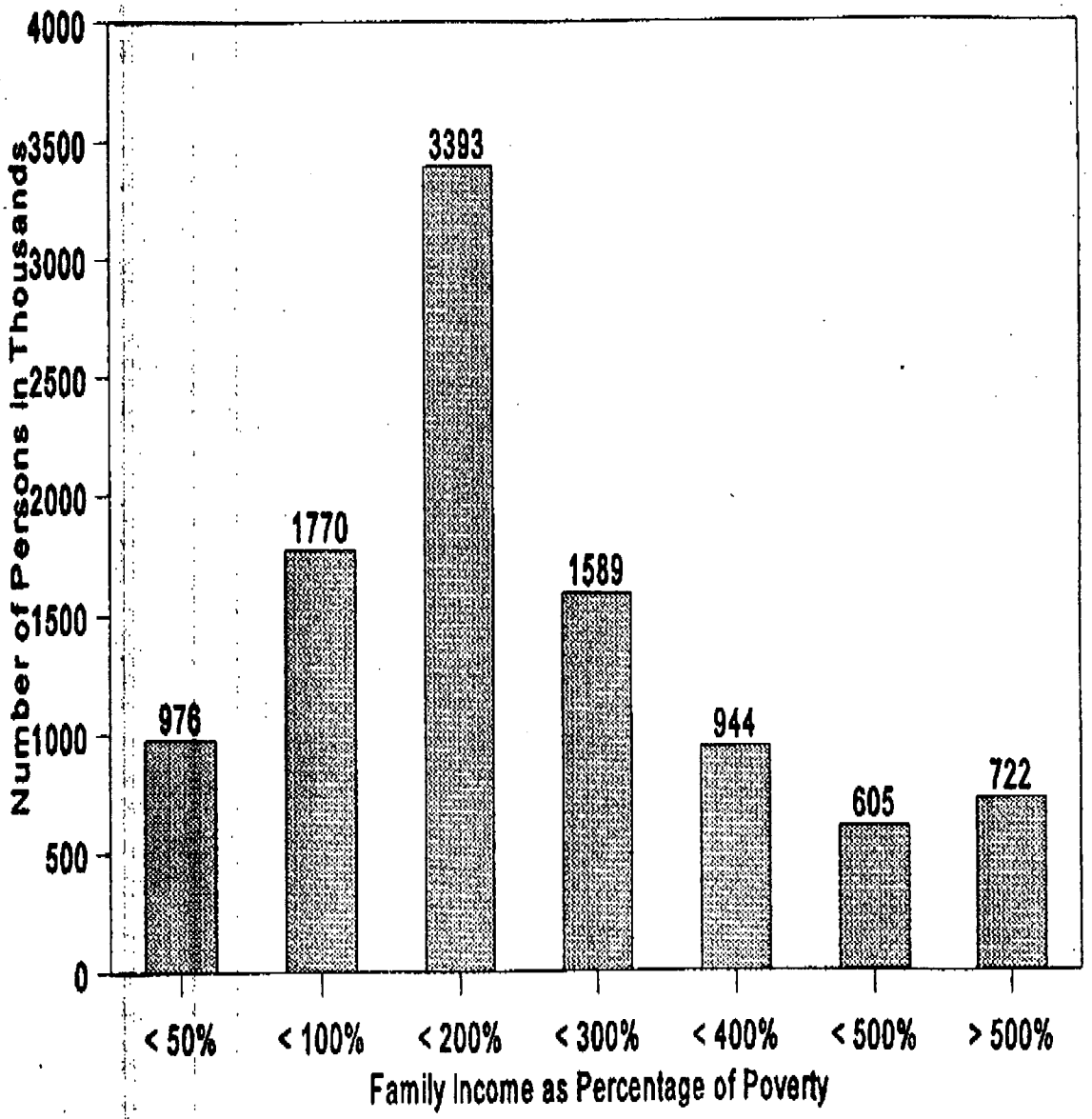
Number of Pages to Follow: _____

NOTES: Here's my event briefing, so you can get an idea of the event, along with the stuff you prepared in February.

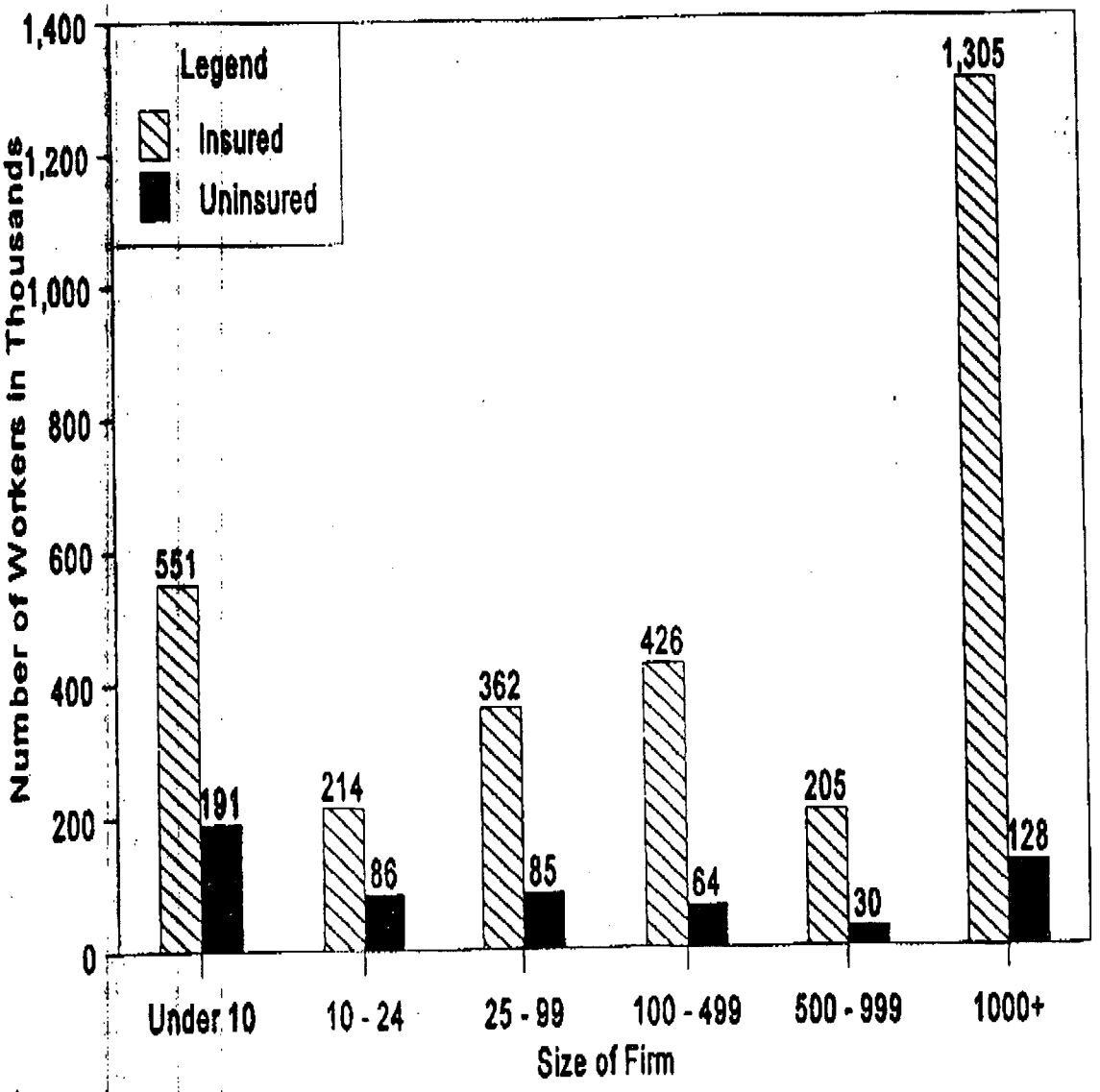
*If you have any questions or problems with this transmission, please telephone (202) 456-7845.*

# Uninsured by Poverty Status

# NC, 1992

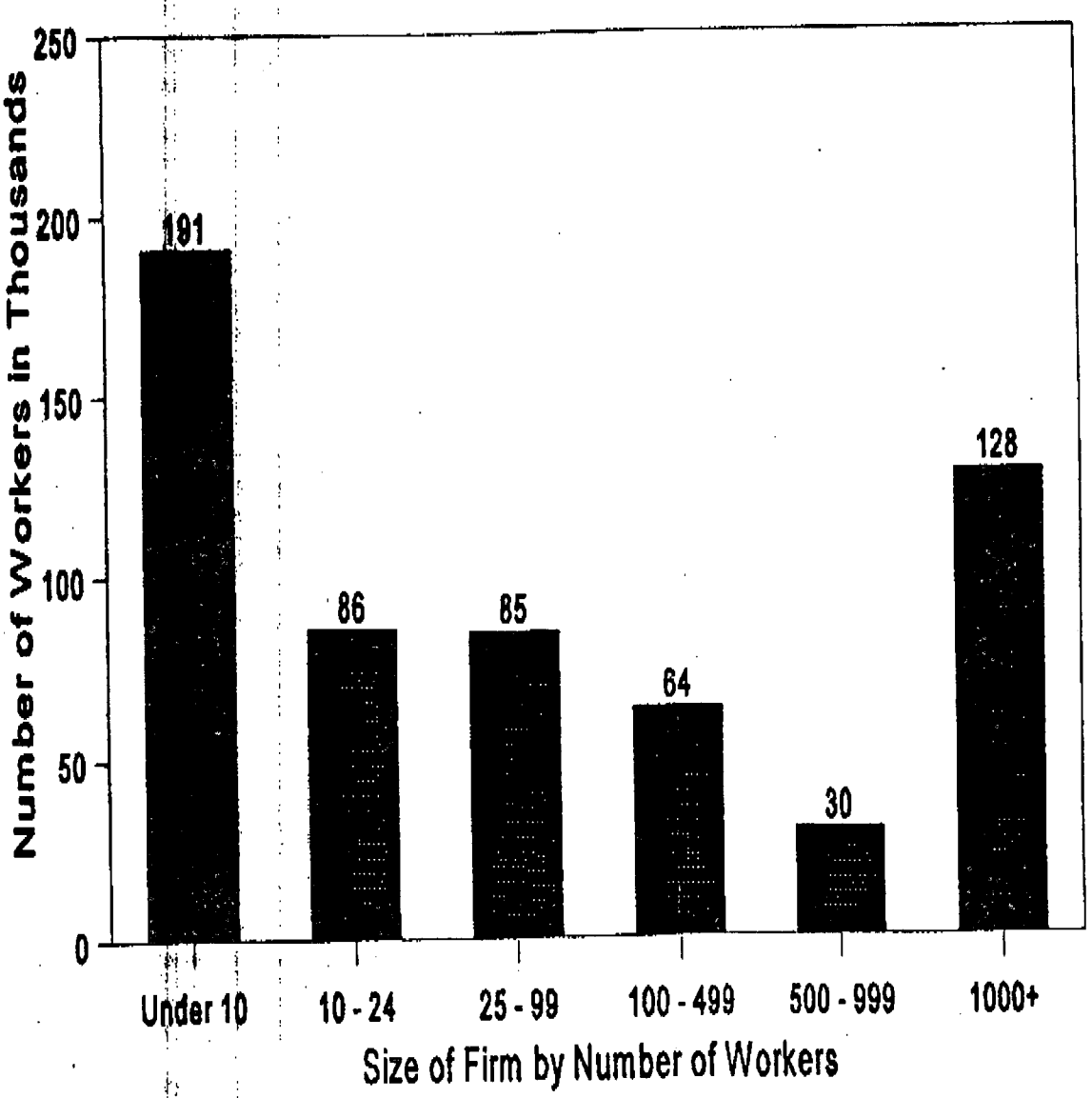


# Insured (Public or Private) vs. Uninsured Workers, NC, 1992

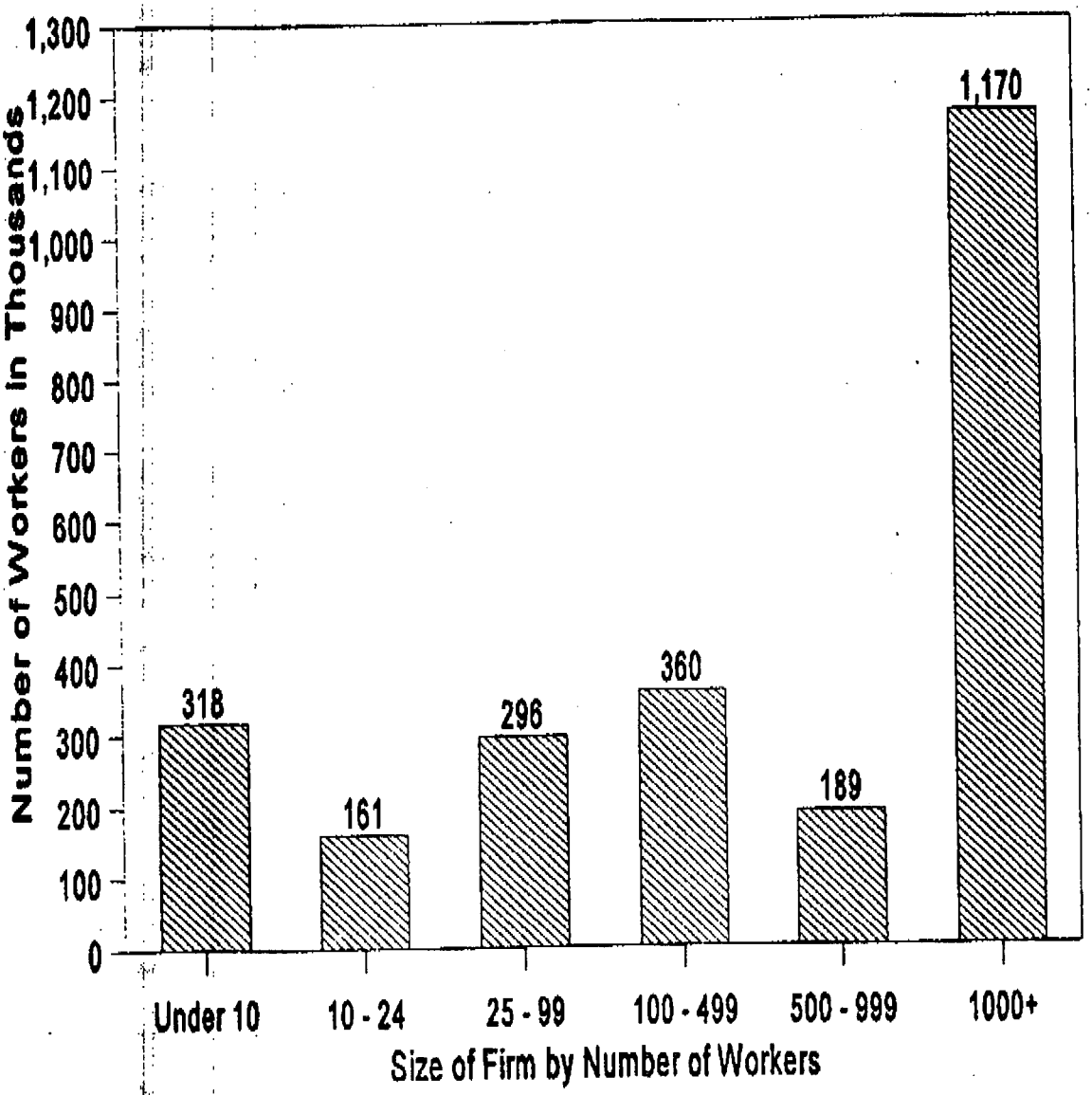


# Workers Without Health Insurance

## NC, 1992



# Employer-Sponsored Health Insurance NC, 1992



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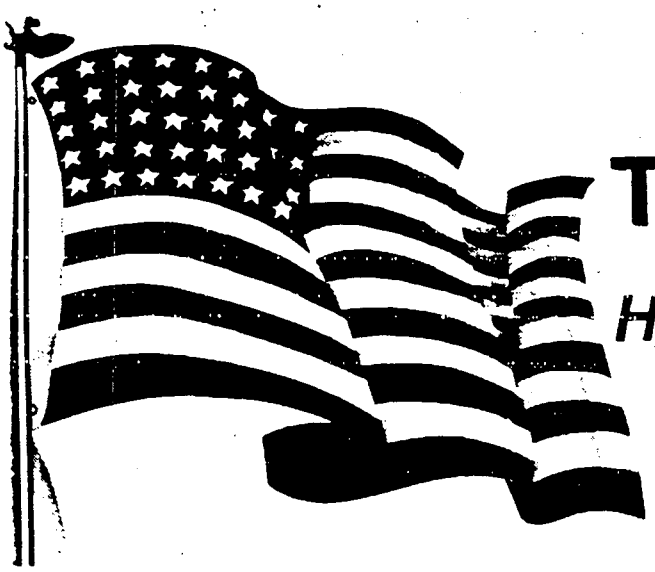
fm VP



# The White House

## *Health Care Delivery Room*

**Phone: 202/456-2566**

**FAX: 202/456-6485**

TO: Sally Garrett

FAX: 205-9537

PHONE:

FROM: Meghan

DATE:

PAGES: (Including This Page)

This is what I gave Lissa. I think the speech will focus on the universal coverage stuff (2 pages).

Meghan

**Talking Points For Hillary Rodham Clinton**
**Meeting With Health Care Leadership Coalition**
**May 12, 1994**

- I want to thank Henry Simmons, Paul Rogers, Peggy Rhoades, and all of you for your leadership. I'm sorry that Bob Ray couldn't be here today, but I also want to thank him for all his work.

- The thing that is good about being here in a group like this is that I don't have to go through the usual pitch I make about how we must recognize our health care crisis and move towards a comprehensive solution.

- You came to that conclusion before I even joined the debate here in Washington.

- Your proposal for health care reform, first introduced with your report in 1991, contained several key elements. I want to read you back these key elements, as described by your deputy director Mark Goldberg in a February 1993 op-ed piece in the Washington Post:

  - A requirement that employers assure coverage for their employees and a commitment -- with adequate public financing and a firm schedule -- to the phase-in of insurance for those outside the workforce.

  - Initiatives to increase the market power of health care consumers.

  - Incentives to create more, and more efficient, provider groups.

  - Tough cost controls to keep spending in bounds.

  - Measures to simplify health insurance, including a standard benefits package, a single claims form, and electronic billing.

  - Steps to improve the quality of care and reduce the amount of unnecessary or inappropriate treatment, and to help consumers judge the quality of care offered by competing provider groups.

- I take the time to read this back to you because we must make no mistake about it: each of your elements is in the President's proposal -- something we can say about none of the other proposals before the Congress.

- Now is the time that we must really move forward. You have played a vitally important role in coming forward with a consensus proposal early on, in bringing together providers, labor, and business leaders to address this issue. And as an independent, bipartisan voice, you have made a wonderful contribution to the debate.

- But at this critical time in Congress, if you really want those elements that you outlined in your proposal, now is the time to take a stand.

- Speak out for those elements of your proposal and of the President's that we know must be a part of meaningful reform:
  for health benefits guaranteed at work;
  for strong cost-containment -- in both the public and private sectors;
  for guaranteed private insurance for every American.

- Work with the committee chairmen like Congressman Rostenkowski, and the key members of the committees, and tell them that we cannot back away from this challenge. And I want to say a special word here to the Republicans in the room -- your support is especially important because we cannot make this a partisan issue.

- And when those who are not as dedicated as Cong. Rostenkowski try to water down comprehensive reform, you tell them, as you have been saying for years, that you can't address one piece of the puzzle without addressing them all. Remind them, as you say, that reform must be comprehensive, addressing access, quality and cost. It cannot be done piecemeal.

- We need your voices to get out this message. To get out the message that health care reform will be good for business, for workers, for providers.

- Tell the American people, tell members of Congress, that you believe in the simple premise that every job should have health benefits. That all Americans who get up and go to work every day should have a job that comes with health benefits. No matter what you do or where you work or how much you make.

- That's why you believe that all businesses should take some responsibility for providing insurance to their employees.

- There are a number of other specific things you could do to help at this critical point in the debate.

  1) Do media events with members of Congress over the Memorial Day recess. Invite members of Congress to your business to talk to your employees about the importance of health benefits guaranteed at work.

  2) Write op-eds in regional newspapers. And make your voices heard on radio, TV shows.

  3) Lobby members on key Congressional committees.

- I want to close by thanking you for working with us up to this point, and say that I remain confident that if we work together, we can get this done.

# LARGE EMPLOYERS AND HEALTH CARE
## OVERVIEW

*"Successful implementation of health care reform is one of the best pieces of news American business could receive."*
[Henry Aaron, Brookings Institute, CBS , 9/28/93]

***SUMMARY:*** *Over the last eight years, per worker health care costs for American businesses have almost doubled. But most American corporations agree that every job should come with health benefits, and they have continued to provide coverage for their workers and families, despite ever-rising costs. In today's system however, businesses that cover their worker's and their worker's families pay for those companies that don't -- shifting up to* ***$25 billion dollars*** *each year onto those with private insurance. Rising health care costs are also eroding the ability of U.S. companies to compete in the global marketplace, and siphoning dollars away from new capital investments. The President's approach will get business health spending under control by increasing employees' incentives to reduce costs, cutting administrative waste and imposing discipline on both private and public health care spending.*

## I. THE PRESIDENT'S PLAN

### 1. BUSINESSES WILL HAVE AN ACTIVE LOCAL ROLE

- Businesses will have a strong voice in the health plans set up to serve their workers. Companies, Taft-Hartley plans, or rural cooperatives with more than 5,000 employees will be able to operate their own alliance, allowing them to enhance the many cost control innovations offered by self insured plans today. Employers will be represented on the boards of all regional health alliances.

### 2. REAL, ENFORCEABLE COST CONTROL

- *Market Forces*
  The Health Security act will aggressively control costs by bringing market forces to bear in the health care system. Corporate alliances will continue using the innovative cost control strategies they've found successful, and regional alliances will build on those same strategies of pooling purchasing power and bargaining for better rates.

- *Administrative Savings*
  The Health Security act will streamline the burdensome and costly regulation that eats up at least 15 cents of every health care dollar. By replacing today's thousands of insurance policies with a comprehensive benefits package and standard claim forms, more money will go to benefits and less to underwriters and marketers.

- *Premium Caps: Back-up Measure for Cost Containment*
  While there is ample evidence that lower cost growth will be driven by competition and increased efficiency, the Health Security plan will build in a back-up measure to cost containment: premium caps. These caps will limit the growth in what businesses and individuals pay for the comprehensive benefits package. The President believes that if businesses are going to be asked to contribute to the cost of health care, they must be guaranteed that increases in their payments will stay within reasonable bounds.

**3. FAIR, EQUITABLE FINANCING**

- *Shared Responsibility -- Employers, Employees, Government:*
  Under the President's approach, employers will contribute 80% of the average cost health insurance plan in an area. Employees will pay the difference between this contribution and the plan they choose. Employers who cover 100 percent of employee health costs may continue to do so; all employers will pay 80 percent of an average price plan.

- *Businesses Protected by Caps at a Percentage of Payroll*
  Under Health Security, employers in a health alliance will pay no more than 7.9 percent of their payroll for health care. Many employers today spend more than 10 percent of their payroll for health insurance.

- *Preserves the Tax Deductibility of Health Insurance*
  Under reform, premium payments will continue to be fully tax deductible for employers and will not be included in employee's taxable income. The President's reform does not tax any employer, ever, for any health benefit they provide. Any employer contributions -- either toward covering the employee share of premiums, co-payments or deductibles -- is never taxed, either for the employer or employee. Starting in the year 2004, services beyond the comprehensive benefits in the reform -- such as cosmetic face lifts -- will no longer be excluded from taxable income for employees.

**4. RELIEF FOR THE COSTS OF RETIREE HEALTH CARE**

- The Health Security Act will allow our businesses, and particularly the nation's largest manufacturers, to better compete in global markets. Subsidizing the employer share of early retiree premiums will relieve many of our nation's largest employers of the significant financial burden of covering health care costs for retired workers.

**5. REFORMS HEALTH PORTION OF WORKER'S COMPENSATION:**

- Injured workers will obtain treatment through their health plans, just as they would for other injuries or illnesses. This will end unnecessary duplication of services, help workers get back to work quickly, and reduce costs for employers. Workers' compensation insurers will continue to provide coverage and reimburse the worker's health plan according to a fee schedule.

## II. WHAT THIS MEANS FOR AMERICA'S BUSINESSES:

*LEADING CEOS SAY REFORM WILL HELP COMPETITIVENESS:*

- CEOs of some of America's leading firms -- large and small -- have sent written statements of support for the President's approach because they recognize that it presents the best opportunity for American firms to deal with escalating health care costs that threaten their competitiveness.

- Prominent business leaders expressing support for the Clinton plan include the CEO's of USX, Bethlehem Steel, American Airlines, Archer Daniels Midland, Food For Less, Drummond and Company, Anheiser Busch, Ford, Chrysler, McDonnell Douglas, and General Motors.

*SLOWER GROWTH IN COSTS FOR AMERICANS COMPANIES:*

- Firms that do not provide insurance will pay more, but at a much lower cost than they currently face when they try to purchase insurance. While the implementation of universal coverage means that aggregate business spending will initially increase under reform -- as employers that do not currently provide begin to, the reduction in the growth of health care costs will lead to lower aggregate business spending on health care by the end of the decade.

*ELIMINATING COST-SHIFTING SAVES FIRMS THAT NOW PROVIDE:*

- When all employers take responsibility, costs will be substantially reduced for businesses that currently provide insurance. The non-partisan Congressional Budget Office confirmed that: *"Universal coverage would mean that those firms that now offer insurance would not longer need to pay indirectly through higher doctor and hospital bills for the care given to uninsured workers and their families. On the other hand, firms that do not now provide insurance could no longer ride free."*[1]

- As much as 10.5 percent of premiums paid by firms that now cover their employees goes to pay for coverage for the uninsured. The Health Security Act will end the cost shifting of the current system, immediately lowering costs for many businesses that now offer insurance.

*NO MORE CORPORATE "FREE RIDERS" -- EVEN PLAYING FIELD:*

- The Health Security Act will make businesses more efficient by eliminating "corporate free riders" -- the millions of Americans who are insured through a spouse's policy. Employers of both spouses will contribute to coverage, further lowering costs for business that currently provide coverage. For example in 1991, employers spent $26.5 billion to cover dependents who are employed by firms that did not offer insurance.[2]

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[1]Reischauer Testimony, Senate Finance Committee, 2/9/94

[2]National Association of Manufacturers, *"Employer Cost-Shifting Expenditures,"* prepared by Lewin-ICF, December 1991.

***EVEN WHILE COVERING EVERYONE, BUSINESSES SAVE BILLIONS:***

- Even when new spending from those businesses that do not now provide insurance is included, CBO concluded that American businesses as a whole see dramatic savings under reform. *"Overall, businesses' costs for health insurance would be significantly reduced by the proposal. Businesses' insurance premiums for active workers would drop by about $90 billion below our baseline level in the year 2004 . . ."*[3]

***JOBS -- EXPERTS SAY NEGLIGIBLE IMPACT OR NET CREATION:***

- The CBO analysis states clearly that the President's approach will have a negligible net effect on employment. *"The Clinton plan, [CBO] concluded, would not significantly slow the economy or result in the loss of jobs, as many critics have charged."*[4]

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[3] *"Analysis of the Administration's Health Proposal"*, CBO, 2/9/94

[4] Pearlstein and Broder, Washington Post, 2/9/94

# LARGE EMPLOYERS
## THE PROBLEM

***RISING HEALTH CARE COSTS BURDEN AMERICA'S EMPLOYERS:***

- In 1992, American businesses paid almost $4,000 for health care for each employee -- more than twice as much as they paid eight years before. [Christian Science Monitor, 11/21/91]

- More than two-thirds of companies with over 200 employees reported that their health care costs rose by an average of 8% last year -- exceeding by far the 2.5% to 3% overall rate of inflation. [KPMG Peat Marwick Survey in USA Today, 10/25/93]

- In 1989, health care cutbacks were a major issue in 78 percent of all strike activity -- four times higher than in 1986. [Christian Science Monitor, 11/21/91]

- For the first time in American history, health care costs exceed business after-tax profits. [Health Care Finance Review, Winter 1991]

***RISING HEALTH COSTS HURT AMERICAN COMPETITIVENESS:***

- In 1990, GM spent $3.2 billion in medical coverage for its 1.9 million employees and retirees. **This was more than the company spent on steel.** [TIME, 11/25/92]

- Health care costs add $1,100 to the price of every car made in America -- double the cost added to Japanese imports. [University of Michigan, 1990]

- American Telephone and Telegraph pays $3 million every day for its employees health care benefits. [Christian Science Monitor, 11/21/91]

***BUSINESSES BURDENED BY RISING COSTS OF EARLY RETIREES:***

- A recent Foster Higgins survey said that business costs of covering early retires rose by 11% last year -- almost four times the inflation rate. The study concluded that *"many employers have simply concluded they can no longer afford to provide retiree health care coverage . . . as many firms are paying premiums for early retirees that are twice as high as those for active workers."* [The Washington Post, 12/13/93]

***FIRMS THAT TAKE RESPONSIBILITY PAY FOR THOSE THAT DON'T:***

- Some experts estimate that $25 billion in health care costs are shifted onto people with private insurance each year. [CBO, May 1993]

- For example, in 1991, National Association of Manufacturers members were billed an extra $11 billion by hospitals to recoup costs not covered by government or uninsured patients. [*Wall Street Journal*, Uwe E. Reinhart, 01-14-92]

- In 1991, employers who took responsibility for their employees' insurance paid an additional $10.8 billion in premiums to cover uncompensated hospital care -- nearly half of which was provided to workers, or dependents of workers, in firms that didn't provide coverage. [National Association of Manufacturers, *"Employer Cost-Shifting Expenditures,"* prepared by Lewin-ICF, December 1991.]

- A recent study found that **from one quarter to one third** of premiums currently paid by employers who provide coverage for employees and dependents goes to cover the shortfall resulting from companies who do not cover their employees and the dependents of their employees. [*"How Would Business React to an Employer Mandate,"* Hewitt Associates, January 1994]

[bigbiz2.brf; 06/10/94 05:49 PM]

## Who Would Incremental Reform Really Hurt? Middle Class Families

Some propose an incremental approach to health reforms aimed not at guaranteed coverage for everyone, but at trying to increase the number of people with some insurance reforms and subsidies for the poor. Employers could continue to drop coverage, and millions of families would continue to go without insurance.

It's hard-working Americans -- the middle class -- who would be hurt by such an approach. It's middle class families who will continue to lose their coverage when they change a job; to take out a second mortgage to pay the bills from a child's illness, to forego career advancement for fear of losing the coverage they have with their current job.

Besides, all the evidence suggests an incremental approach won't work; in fact, health reform that falls short of universal coverage could actually make things worse. Millions would remain uncovered, including some previously insured through their company. Costs would not be controlled, leading to higher prices for working familes and a ballooning federal deficit.

**Millions of families remain at risk**

- Incremental reform bills will not cover everyone -- not even close. An estimated 24 - 40 million people would remain uninsured without universal coverage.

- One in six Americans will still lose their health insurance at some point during the year.

**Middle class will take the hardist hit**

- Since the poor and non-working would get free coverage, and since wealthy Americans could afford coverage on their own even if costs continue to rise, those hardest hit by incremental reform would be middle-class working families.

- Under a non-universal, managed competition-style reform plan , an estimated 24-40 million people, *more than two thirds of them in middle-class, working families,* would remain uninsured. The main reason these families wouldn't be covered is the cost of insurance.

- What's worse, many people who now have insurance protection today would find themselves without coverage under an incremental reform plan. An estimated one in ten workers with employer-sponsored insurance would be dropped by their employer.

**The cost shift will continue**

- Under the Band-Aid approach, those who take responsibility for insurance coverage will continue to pay for those who do not. Senator Chafee, a Republican from Rhode Island, puts it this way: "If there's no mandate that people have to belong, then young healthy males who don't ride motorcycles aren't going to join and so the costs are going to be carried by those who are sick." Alain Enthoven, the so-called "father" of managed competition, adds that "such a system would be destroyed by free-riders".

**The deficit will increase**

- Without any change to the existing system, two-thirds of the growth in federal spending between 1993 and 1996 will be accounted for by health care spending.

- Incremental reform plans aim to extend coverage to low-income families and the unemployed by providing government subsidies to those Americans. Under a plan with subsidies for the poor but no universal coverage, CBO says there would be over $300 billion added to the deficit in financing the subsidies for low income Americans. By contrast, the President's plan is expected to curb expenditures by $30 billion by the year 2000, and by $150 billion by 2004.

**Universal coverage is the only way to guarantee controllable costs, and fair, equitable financing of health care.**

Imagine a diner where everyone in a community goes for lunch. Most people have lunch, pay, and leave, but every eighth person who walks into the diner sits down, orders (usually the most expensive thing off the menu because they're famished), and gets up and walks out without paying. The cost of that patron is spread over the other seven who did pay. It only makes sense that when that eighth person pays for their lunch like everybody else, and orders like everybody else, the cost to the other seven paying diners will go down.

We don't think the solution is to charge working families through the nose for lunch, and let the poor eat for free by taxing everyone who orders a steak. We think the free lunch should end.

All Americans deserve the security of high quality health care coverage they can't lose, even if they move or take a better job. The American health care system will be stronger, better, and less costly if Congress finishes the job they've started and guarantees private health insurance to all Americans this year.