



EDWARD M. KENNEDY ORAL HISTORY PROJECT

FINAL TRANSCRIPT

INTERVIEW WITH IRA MAGAZINER

November 19, 2007
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Edited in 2023 by Ira Magaziner

Interviewer

University of Virginia
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Janet Heininger: This is an interview with Ira Magaziner on November 19, 2007. When did you first meet Ted Kennedy?

Ira Magaziner: I first met Ted Kennedy way back in the early '80s when I was doing work on economic policy and industrial policy. He was interested in that area, so we talked quite a bit about those issues back in the early '80s. Then, in the late '80s, when I was chairing the Commission on the Skills of the American Workforce with Ray Marshall and Bill Brock from the National Center on Education and the Economy, he was heading the Labor Committee. We interacted quite a bit.

There was some legislation that we developed on apprenticeship training in community colleges and that kind of thing. Hillary [Rodham] Clinton, who was then a lawyer in Arkansas—We brought her in as a co-chair of this commission that I was chairing with Brock and Marshall to help us with the legislative piece. She was involved with those discussions as well back in the '80s.

She and I wrote a prize-winning article on this whole thing of skills development for non-college-bound American students. We were looking at apprenticeship programs in Germany and elsewhere and how in this country we didn't have similar tracks. In other words, if you didn't go to college you were sort of a failure. We were looking at that whole set of issues, and interacted quite a bit with Ted Kennedy then, in the late '80s, because he took on the issue and was working on the legislation of this.

Heininger: What was your impression of him in working on these kinds of workforce issues and training issues?

Magaziner: My impression was that he was keenly interested in the substance, that unlike a lot of others, he didn't go to the politics first; he went to the substance first. That he was knowledgeable, that he had attracted a tremendous staff. The people that we worked with from his staff were really good.

Heininger: Do you remember who you worked with?

Magaziner: Sorry. I do not. There were three or four people that we worked with, in the early '80s on the industrial policy stuff, and in the late '80s on the training stuff. He also was incredibly gracious. When you met him, he made you feel like you were more important than you probably were, but he was sincere about it and you never had the sense that he considered

himself so important that you were lucky to be seeing him. It was the opposite—that he basically was, well, not honored, but it felt like you were doing something for him by spending this time seeing him. Just very gracious was my major impression. He also was always wanting to broaden the circle in terms of trying to build consensus with people on issues.

Heininger: Did he take ideas from what you were doing and want to work on them legislatively, or did you provide him with ideas for legislation that was needed?

Magaziner: It was a mix of both. We had this report that we had done, and we were trying to turn the substance of the report into legislation for the national piece. I'd say the bulk of it was going to be done at the state level, but there were national pieces that could be helpful. He was very helpful in trying to think that through and say, "Here's what we could do at the national level that could help this agenda." We had very good discussions about that.

Heininger: Did he provide any help in working things through Massachusetts, at a state level?

Magaziner: No, not on those things. It was all national. The National Governors Association was involved, so there were certain things that the Governors and we felt would be useful at the national level, related to education authorizations and also new authorizations for training that were involved in the antirecession packages and other things. It was a lot of discussion on how to craft those national frameworks. President [George H. W.] Bush set up a commission also, which I was actually appointed to, that was considering the issue as well. We did a lot of talking about the relationship between that commission and the existing Department of Labor and what the Congress could do.

Heininger: How high a priority did you sense that this was for him?

Magaziner: My sense was that he took the issue of worker training and the non-college-bound students as being very important. My sense also would be that he would probably make you feel like what you were talking about was important, even if it wasn't his highest priority. I can't say I would know for sure, because I think that's the way he would be, but we certainly got the sense that he cared about these training issues and about jobs and higher-paying jobs, and the decline of the manufacturing base, which is a lot of what we were talking about.

Heininger: And a problem in Massachusetts too. Did any legislation result from it?

Magaziner: Yes. During the [William J.] Clinton administration there was some, but it was more things we could do once we had the Labor Department. There was some legislation, but it was more things that were done in the first term by the Labor Department once—

Heininger: Through executive regulations rather than—

Magaziner: Yes, executive regulations and also reallocation of funds within the budget.

Heininger: Was he helpful at that point on these issues?

Magaziner: Yes. I was at that point more involved in healthcare, but he was helpful. We talked about it a couple of times.

Heininger: When you get to healthcare then, why did there seem to be a moment of opportunity under Clinton? We hadn't been dealing with it since the [Jimmy] Carter administration, and before that, [Richard] Nixon.

Magaziner: Well, during the campaign, when then Governor Clinton was going around the country, questions about health came up a lot in his town hall meetings and other discussions. He would hear a lot of stories from people, and there was a range of things. It was companies telling him, "We can't afford to do this anymore. It's too expensive. The costs are running out of control and they're killing our competitiveness." Seniors telling him they've got to decide whether they would buy food or buy the drugs they need. Ordinary people telling him about catastrophes when their insurance didn't cover what they thought it would.

I had a situation where I ran a small consulting firm and one of my employees developed cancer. We pay 100 percent health insurance for our employees, and the insurance company basically came to me and said, "If you drop her, your rates will only go up 5 percent. If you keep her, your rates are doubling for everybody." That kind of situation. I'm saying, "Well, I'm not going to fire her." Therefore, my rates doubled. It was that kind of thing. That was my story, but there were lots of stories.

When we first were planning the campaign, healthcare was not a first issue for him. It was all about the economy. As he started going around New Hampshire and elsewhere, it became an issue. I had been working for a couple of years on a project in Rhode Island, a pro bono project on healthcare, analyzing the healthcare system and so on, and he heard me make a presentation.

It was actually a Renaissance Weekend in December where I talked about the results of the two-year study we had done on the healthcare system and how much waste there was and how much cost could be taken out of the system, and all kinds of quality problems and everything else. We had done a very detailed study. He came over to me afterward, because I had already been advising him on economic issues, and he said, "This healthcare stuff, we've got to do something about this. I'm hearing all about it."

At that time in December, and this was '91, Bob Kerrey had introduced a single-payer healthcare proposal in New Hampshire, which is historic, and it was gaining traction, just the fact that he was dealing with healthcare. Clinton came to me and said, "I really want to do something in healthcare, and the stuff you can do sounds fascinating. Could you put some stuff together for me?" That was the environment, and it was both an economic issue, because of the companies coming and saying, "We can't afford this anymore. We've got this many dollars in an automobile versus the Japanese kind of thing in healthcare." Then the stories he was hearing from ordinary people around the country. Our sense was that something had to happen.

Heininger: Part of it was that as a candidate his consciousness was raised that this was a higher-priority issue for people.

Magaziner: That's right, higher than when he had originally come into it.

Heininger: Yes.

Magaziner: Back when he did his first speech, which was essentially the launch, if you will, the previous May of '91, when he spoke at the DLC [Democratic Leadership Council], and I helped supply input for that, it was all about the economy. We did have some of the training and education stuff in it as an economic issue; the lifelong learning and the training stuff we had been working on, but healthcare was not a major focus. It was actually when he got out on the campaign trail that he realized this had to be dealt with.

Heininger: If you then jump to the other end, if there seemed to be a moment of opportunity, with, at that point, a Democratic President elected, the Congress in Democratic hands, why then did it not come about? Was the public truly ready for this? Was the Congress truly ready for this?

Magaziner: Let me give you a couple of pieces of the picture without going into too much detail. I think the President or Hillary has written about it in their books. In between the election in November and January, in fact right after the election, when there were discussions about who was going to be doing what in the administration and so on, I remember Ted Kennedy and I got together in Washington.

The AFL-CIO [American Federation of Labor and Congress of Industrial Organizations] had asked me to come speak at their meeting because we had been working on the skills stuff together, the training stuff, and I think Ted assumed I might have something to do with that in the administration, either at the White House or as Secretary of Labor or something like that. We had some discussions about that. I didn't know at that time what, if anything, President-elect Clinton would want me to do. Well, I knew something at the end of November—that they wanted me in the White House on policy in a Cabinet post. There were a couple of different issues on what we called the “change agenda.” That was my greatest interest in pursuing, rather than administering the status quo, which is a lot of what a Cabinet Secretary does. I wanted to help push the change agenda. Then it was in early January—maybe I'd stepped on the cat or something, but—I was given healthcare as a reward. My discussions with Ted up until January were anything about the skills stuff because that's what we'd been working on together, industrial policy and so forth.

In terms of the broad arena though, when it became clear to me that I was going to be doing healthcare, there were a couple of people, one of whom I'm sure you know, Kirk O'Donnell. Do you remember Kirk?

Heininger: Yes.

Magaziner: We had gone to school together, and I thought the world of Kirk. I thought he was just a wonderful guy. I asked his advice. I said, “Look, I'm new to Washington and it looks like I'm going to be going down there. What advice?” I told him healthcare was something on the agenda they were asking me to focus on, and he looked at me and said, “Ira, ask them if you could do something else.” I'll never forget it. He took me out to lunch in Washington, looked at me, and I said, “What do you mean?” He said, “This is a tough one. You've got so much money lined up against this and so many interest groups with such strong—”

He also said something that Dick Gephardt then echoed to me—I'd known Dick since the early '80s because we had worked together on industrial policy stuff. He was a Congressman. He said,

“Look, there have been fistfights among the Democrats in the House over this; Pete Stark being among the most aggressive. But you have strongly, religiously, held views, even among Democrats.” Cooper and Stenholm and Stark had come to blows with each other about it, when Gephardt had tried to get a consensus among the Democrats in the House the previous year around the bill. He said, “This is a nightmare issue and it’s going to take years to do.”

Clinton, during the campaign—when everything sounds plausible—said, “Within the first 100 days of my Presidency we’ll submit a healthcare bill.” He made that commitment and Kirk said, “There’s no way in hell you can do that, and this thing’s going to take years.” Then Harrison Wellford—I don’t know if you ever came across Harrison.

Heininger: Yes, of course.

Magaziner: He had been at OMB [Office of Management and Budget] and he was somebody else that I had become friendly with because we worked together on pretransition budget stuff. He said the same thing, “This is going to be a nightmare.”

Heininger: Even though if you run on a campaign and what people think that got him elected was focusing on healthcare.

Magaziner: Not really. The economy was what people think of.

Heininger: There was a big healthcare piece.

Magaziner: There was a big healthcare piece, and I worked on that, so I know it, but the economy really was the centerpiece of the campaign, it’s fair to say. But we did have a healthcare piece. The construct, going back to the previous January—This is all of a piece here, and I apologize if I’m going into more detail than you want, but my point was that we were warned—

Heininger: You were warned.

Magaziner: —that this was difficult. Going back to the previous January or February, I could tell it because initially, when he had put together a campaign healthcare group, Jay Rockefeller had been involved, and Judy Feder was put onto it, and Ann Lewis, and Chris Jennings was part of it, and there were a number of others. They were a Washington group that had a certain center point of view, and it was kind of pay or play, or an extension of Medicare, which was what Pete Stark wanted.

Then you had [John] Garamendi, who was his campaign manager in California, the state insurance commissioner, who was pushing a managed-competition agenda under a budget cap and coming from a whole different place, and Jim Cooper and the DLC people, who were also part of Clinton’s universe, Charles Stenholm and those guys, coming with a completely different thing, saying that these guys in Congress—the Starks and the Ann Lewises and the Judy Feders and the Jay Rockefeller—are all wrong about this; too much of a government approach, and they were more pushing this Jackson Hole crowd.

The stuff I had done in Rhode Island had come up in something that was more on the Garamendi side of things, although it was not over to where the Jackson Hole people were, which was not really universal coverage. Clinton brought me in to try to advise him on this behind the scenes, because you already have this group.

Then toward the summer, when we needed to come with a healthcare plan, we had worked on Putting People First, which I helped put together, which was the economic treatise. It came to a head in the economic treatise because you had the deficit-reduction issue as well. The question is, How much is healthcare going to cost? You've got to use budget savings for deficit reduction, so when we were actually putting Putting People First together, late May-early June, I was down in Little Rock captaining the team. [Robert] Reich was involved, Doug Shearer was involved, I was involved. It came to a head over what we would commit on healthcare, in what was essentially an economic document.

I had been taking the approach to say, "Look, there are tons of cost savings that can be realized in this system. The growth rates that are assumed in the budget are too high. You can take a lot of the administrative cost out of the system." Clinton believed that, from his own experience and his own gut in Arkansas, but whether CBO [Congressional Budget Office] and Reich would approve something like that nobody knew, so there was nervousness about saying it. I had said, "What we've got to do is say we'll get to universal coverage as we can pay for it with savings. We shouldn't have much of a budget impact. We might do a tobacco tax or something like that, but basically we can do that. I believe we can do that."

When we consulted around the people in Congress, the staff people dealing with health were saying, "We don't think so, and you're going to have to raise taxes." Then the question was "But you have to commit to universal coverage. You can't say you're not going to have universal coverage during your first term." Squaring that circle was impossible, because we couldn't put new taxes in and we weren't going to say that budget savings wasn't going to go to deficit reduction. It was left unresolved in Putting People First, so you had two different strains of disagreement that we had already seen the previous spring. One was managed competition versus Medicare for all and single payer, and the other was this budget question about how you dealt with deficit versus healthcare funding and what the CBO would score.

To make a long story short, when it came up to January and we had the commitment, the 100-day plan, it was "the economy, stupid" plus healthcare. So healthcare was the number-two thing, but "the economy, stupid" had meant cutting the deficit in half, right? Literally, the day after the inauguration, the morning after—They had been up most of the night at the parties and whatnot. I was in the Oval Office at lunchtime with Hillary and the President and myself to talk about putting together the healthcare task force. They had told me I was going to do healthcare the first or second week of January. I'd written a memo, a work plan about what we should do. I remember it for a number of reasons. One is that we were freezing to death. It was very cold and we couldn't figure out how to get the heat turned on, and it was a real metaphor because Betty Currie and Nancy Hernreich were sitting out there. It turned out that somebody across the street controlled the heat. We were laughing about how a President of the free world—and we can't even control our own heat.

Basically I felt like I needed to tell the President what I had been hearing, which was what I heard from Kirk, what I heard from Harrison and others about how difficult this was going to be, and how nobody I had talked to in putting together the memo thought we had even a 50/50 chance of getting this done in the first couple of years. I brought that up and felt like it was my responsibility. Hillary then said, "I'm hearing the same thing."

Clinton, to his credit, said, "OK, but I promised we were going to do this, and we've got to do it. Somebody's got to do it. We know we can't fix the economy unless we do it," et cetera. "We've got to do something here." People had been advising Hillary that this was a mistake in a first step for her, because it was too risky, that if she was going to be an activist First Lady, yes, she should do stuff, but *this* was too risky a thing to take on. People had been advising me the same way.

We talked about it and we all agreed that this was going to be a huge uphill battle, that the chances of success were less than 50/50. But he basically said we've got to try this. He said, "Are you guys willing to do it?" And we both said, "OK, we will." We knew that even getting the Democrats together was going to be very difficult. We knew that the interest groups were going to be very powerful and had a lot of money on the other side, and that therefore we had to wage a political battle and not just a policy battle.

Basically the President said to me, "What I want you to focus on is getting me a plan that works over the next 100 days. I don't want something like the early Medicare and Medicaid plan, where it gets passed and then it turns out it costs ten times what people projected it was going to cost. In those days you didn't have a CBO, so you could do that kind of stuff, but even if you could get away with it, I don't want to do that. I want you to really, no kidding, get a thorough plan here, and one that's going to work. You focus on that and you get it for me in 100 days." We formed this task force with campaign officials and working groups to do the work. That was it.

We can talk about some mistakes we made, but there was a tremendous pent-up desire to do healthcare. What played out was two things. One is we all agreed—and this was something that we had discussed in a meeting in Little Rock the week before the inauguration—that the deficit-reduction plan had to come first. We had to show that there was going to be economic prudence, that we were serious and not just being tax-and-spend Democrats, that we were going to do a serious deficit-reduction plan, and that that had to come first before we did healthcare. We had to get healthcare introduced in the first six months, because otherwise there wouldn't be enough time for it to work itself through before you got caught up in the midterm elections.

But then the deficit-reduction package itself—Leon Panetta's first view of that was "I want a whole bunch of healthcare savings in there." We had the discussion about the need for healthcare savings to pay for healthcare, because the transition team that had been working under Judy Feder—I know she felt displaced. There had been a transition team that had come in with the plan, and they came back and said to the President, "We need to raise X amount of taxes to fund healthcare," and the President said, "No way. How are we going to do that?"

I took Judy on as my deputy in order to reach out to her. We got her into HHS [Health and Human Services] to try to help with the coalition building, but we knew we had a difficult task. In the initial meetings I had the first week or two, when I went to talk to Gephardt and we talked

to [George] Mitchell, Mitchell's view, and Gephardt's as well, was that you have to get this into the budget resolution because we'll never get 60 votes in the Senate.

I remember Gephardt coming in to see us, and Hillary and I met with him for an hour. We took him down to the Oval [Office] to meet the President, because he was giving such a strong message about that, and that's when he recounted his difficulties. We talked about the fact that you had the single-payer people under [James] McDermott. You had Pete Stark, who is a material figure and had his Medicare for all, and was coming from that direction. You had the pay-or-play people. You had the pure managed-competition people, the Coopers, and you had the managed-competition people with the budget. He said, "You have five different distinct groups just in the House. I couldn't get them together." Then you have a number of people that are so focused on the deficit.

In the meantime, in the first week [Robert] Dole announced, "We're not cooperating with the administration on their economic program. Not one Republican vote will come your way." So we figured, *We've got to do this with Democrats, but in the Senate we don't have enough Democrats, plus we've got some that we can't count on* out of the 56 we had. At that point I went to see John Chafee, whom I had known from Rhode Island, who was head of the Health Committee. John said to me, "This is going to be tough." He was put in charge of the healthcare people in the Senate, but he said, "I'm hoping that once we get through the economic program, we can do something on health, but we've been told we're not supporting anything on the economic program if it has even one tax in it." He also frankly told me that there were a lot of forces within the Republican side that wanted to derail the Clinton Presidency from Day One. They almost viewed it as illegitimate in some way, and they didn't want it to get off the ground. He was saying this plaintively, because John really did want to do some kind of health reform. He told this to me privately.

That was the landscape we were confronting. Gephardt and Mitchell said we've got to get this into the budget resolution, and we only need 50 votes. Plus, you can't ask the Congress to take two hard votes in a year, and the budget deficit-reduction package is going to be hard enough on its own. You've got to make it all one big thing, and we think we can rally the Democrats for that and we can get over 50 votes. So we began looking at that track, and your old boss [Robert C. Byrd, D-WV] derailed it. I can't argue with his reasoning—He was right—that under the way the 50-vote rule worked on the budget, this really didn't fit. It was materially too much other stuff.

It became clear in March that he wasn't going to agree to that, and obviously, if he didn't agree with it, it wasn't going to happen. It seems almost quaint in retrospect, but all the arguments I had with the [Pete] Domenicis and so on about them saying we've got to get the deficit to zero before we do anything like that, when under Bush they've allowed the deficits, Domenici supporting it, to go anywhere it wanted—We went through that whole deal.

We set up this process. We reached out to several hundred people on these different work groups that we had, worked night and day. We had a window in the spring when it looked as if we could get something done, because when Hillary was appointed, a lot of the interest groups began to feel like, *OK, this is serious. If he's putting his wife in charge of this, he ain't going to let it fail, and this is going to go somewhere. This train is going to leave the station and I'd better get on it and negotiate the best deal I can.* So during that period we had a number of discussions that gave

us some optimism that we could get something done. Then what happened is the economic program ran into trouble. People don't remember probably, but remember, there was a stimulus package. It got defeated.

Heininger: I know.

Magaziner: The Republicans were opposing, and [David] Boren from Oklahoma and a couple of the other Democrats in the Senate began raising questions about the deficit-reduction program. Then we had the haircut-on-the-airplane incident, and then the travel office incident, and things that began to be used to attack the Clintons. It became clear in April/May—Here, frankly, Pete Stark was a major villain. We could not have a private meeting with Members of Congress and the committees without it being in the newspapers the next day. Stark had a very strong aversion to the managed-competition ideas, and he viewed me as being allied with that in some way. He started coming out and attacking me, and then every time we got a meeting with him, it would get leaked. Some people in the administration felt that they should be running the situation out of the White House and allied themselves with him in that.

We began to get some internal problems. Lloyd Bentsen, who, as head of the Finance Committee, knew something about healthcare, and Marina Weiss, whom you may know, worked for him—I had [Donna] Shalala on the other side and some people who were advising her, and Leon, and then Alice Rivlin, who was at OMB, who felt she knew something about the subject. They were all in different places.

Alice was saying, “We should start from scratch and decide what kind of approach we want to take, and we should get rid of this 100-day thing.” Clinton was saying, “Look, I presented the plan and you can modify it, but I’m not going to start from scratch. If we start a review, we’re opening a whole new can of worms about do we go single payer, do we go this way—There’s no way we can get something up in 100 days.” So politically it got very complicated very quickly.

There were some decisions made in the White House that I couldn’t really do anything about, on communication, which said the economic program has to come first, which I agreed with, and when that began to run into trouble, they were saying, “We cannot talk about anything on healthcare, because that will get in the way of the economic program.” I’ll give you one anecdote that made that clear. We were ready in April. We had a series of decision meetings with the President mapped out, with alternatives and decision memos, 24 big binders of policy options, and we started working our way through those decisions to meet the 100-day deadline, which we were on track to do.

We had six big decisions left, which had to be made in May, and then after those were made, we would then be able to run the numbers to get proper budgetary numbers and also be able to have the Treasury feedback groups and the financing and all that good stuff to have a package that was fully cost-embedded on the financing. But we needed these six decisions first, because they were about upping the benefits package and that kind of stuff, which obviously affects your numbers. What happened is that the deficit program ran into trouble in May, and there were some leaks on our side out of Treasury, which said that we were considering a number of options, and they were somewhat pernicious in their intent, frankly.

There were also some leaks coming out of HHS because people were fighting their battles that way. For example, they said we were considering a tax on tobacco products and on wine and spirits. Within two days I was summoned to the Oval when that leak came out, because there was a letter signed by all the members of the California delegation saying, “Unless you take wine and spirits off the table—” We had a number of Democrats from North Carolina, Tennessee, and Virginia in the House who wrote a letter saying, “Unless tobacco tax is off the table, not only won’t we vote for healthcare, we won’t vote for your economic package.” I had to have meetings with the President and these guys, and it just got worse from there. There were numbers leaked out, gross numbers that were put forward as net numbers, before savings and everything else, and Stark did some of that as well.

The order came down. There was a meeting with Bentsen and Panetta, who came in to see the President and said, “Look, if you don’t want your economic package dead, this healthcare process has to shut down. We can’t have this discussion going on in parallel, because it’s going to undermine.” So we went into this limbo period where these final decisions weren’t made. We had a couple of meetings—Ted attended some of them—at the White House to talk about healthcare and everybody geared up. I could not share the plan with Members of Congress that we had or the decisions or their staff. We were still saying, “We want this to come up this year and we want you to—” but yet I couldn’t share anything with them for fear it would leak and undermine the economic program.

We dismissed all the work groups and the task force. We were then being sued, by the way, by this right-wing group because Hillary was participating in the task force. Whether everything had to be public because she was not a government employee was the basis of the suit.

We had lawyers just crawling over everything we were doing, so we had to go into a period from May until late August where we could not advance on healthcare at all. What that did is all the interest groups who had been meeting with us were feeling the train’s going to leave the station, because we’d been saying, “Hey, this is our schedule. In 100 days we’re going to have a bill.” Mitchell and Gephardt had agreed that this is going to come up this year, so they were feeling like they had to deal with us. Once the delay set in, then they became emboldened, because remember what they had done with Carter. The thing kept getting delayed and delayed. I had talked to [Joseph] Califano and I knew that history.

This was the first chink in the armor, saying OK. Then when Clinton’s ratings went down with the airport thing and all this kind of stuff, they began thinking, *Hey, maybe we can beat this*. I began hearing that. In fact Ted and I talked about it. Hillary and I used to meet every night, and for a couple of months all we could do is stare at each other.

I kept a small group working internally, and we were still meeting with a lot of interest groups and so forth, but we could see stories starting to emerge: “Complex healthcare task force process bogs down in its complexity,” and all that kind of stuff. But the reality was we were stopped. I couldn’t disagree with why we were stopped, because I agreed the economic program had to pass first or else the Presidency was in serious jeopardy. What was so frustrating is that if we didn’t have the leak problem, we could have gotten the plan finished and all the decisions finished so we were ready to go, but we didn’t have those final six decisions.

As you may remember, the economic package passed barely in the House, and then it didn't pass the Senate. I remember sitting with the President and Hillary because we were wanting to go with healthcare. The vote was that night, and they still didn't know which way Bob Kerrey was going to vote. He was the swing vote. We didn't find out until literally the day of the vote that he would vote *for*, which gave us the 50/50 so [Albert, Jr.] Gore could break the tie. It was that serious on the economic package. Then it was the third week in August, right around that time. We had had no healthcare meetings with the task force, the Cabinet members, since May.

We had these decisions still to be made. Then, NAFTA [North American Free Trade Agreement] came up, and the Vice President's reinventing government initiative. They were wanting to get going on NAFTA, and the healthcare was always supposed to be next, but NAFTA, which we really hadn't campaigned at all on, had a deadline, because the fast-track authority was going to run out in November. Warren Christopher, Bob Rubin, and Lloyd Bentsen cared about NAFTA, because the business community cared about NAFTA, and Lloyd cared about it for Texas reasons.

Heininger: Yes.

Magaziner: All of a sudden we started hearing, "We've got to get to NAFTA," and "Let's put healthcare off for six months. We'll introduce that next year." [Daniel Patrick] Moynihan was saying, "Let's do welfare reform before we do healthcare reform." The DLC was beginning to say that as well. We were hearing these rumblings over the summer even though it had been agreed back in the previous January that we'd do the economic package first, which we all agreed with, and then we'd do healthcare immediately afterward. Now we were having Moynihan and others saying do welfare reform first and put healthcare off, having the NAFTA people say put healthcare reform off, partly because they knew how difficult it would be, but partly because they had their own agendas.

We had said we would introduce healthcare in June. We didn't. And then we had said September, and what I was hearing from everybody, including Ted Kennedy—he and I talked about this. He was saying, "Look, I've seen this picture before. If you put this thing off for another six months, the opposition will rally. A lot of these interest groups that are on the fence now will go the other way, and it's going to be really tough. Plus you'll be coming into a congressional election year, so really, you'll be putting it off to the third year, not the second year." People like Ted Kennedy and others who wanted healthcare reform to happen—John Dingell and Pat Ford at the time, and others—were saying, "You have to do it now."

I remember the day after we finished with the economic package Hillary and I immediately sent out a message wanting to convene the Cabinet team again to go over those final six decisions with the President because we had to get them made, and then we needed some weeks for the OMB and Treasury to vet the numbers. I had gone over and studied all the Treasury numbers myself and the models that they used, mostly OMB models, for the team. I knew we would be close, but still, they quite properly had to go through their own independent process. They couldn't take my word for it. So I remember literally, the day after, of course, the economic team had been up.

We had formed a team in the spring, what we called the healthcare delivery room. We were the war room, because we knew we had to do the political side of this and the public side contemporaneous with the policy coming out. We had formed this healthcare delivery room in April to start working on that side of it so that we'd be ready—or at least at that time we thought in June—with a public campaign. When the economic package ran into trouble, the apparatus we had set up for the healthcare delivery room, the economic team took it over, with the President saying to us, “This has got to come first.” They took over that whole apparatus and it became for the economic program, because we were shutting down any public stuff on healthcare anyway.

Here it was mid-August, the day after Hillary and I sent in a note, “We'd like to set up a meeting.” Bob Rubin had already taken off to go bonefishing. He was exhausted and everybody else had gone back home.

Heininger: Mid-August is vacation time.

Magaziner: Yes, and the President had planned to take a week off himself. We said, “No, we've got to get these decisions.” We then said OK. We planned this September release and we had had these detailed negotiations at the end of July, where the President, in his fashion, said, “I want to do it all. I don't want to have to choose between healthcare or NAFTA or reinventing government.” We had decided on this situation where we would take the first week of September and introduce reinventing government, and then the Vice President could do his thing. Then we would take the next ten days for NAFTA. We would introduce it, it would go into committees, and then we wouldn't have to worry about that for a couple of months. Then we would introduce healthcare as the big thing on September 19 and 20.

We spec'd out [wrote specifications for] on the President's calendar eight weeks, where we'd have three to four days a week of his time solely on healthcare, getting out promoting it and so on, because we felt we needed that to allow us to define our plan before the opponents defined it for us. We had done this, and I remember somebody in the meeting saying, “Well, this is fine as long as nothing else comes up.” With the President, something always comes up. They were arguing for doing healthcare, whoever it was that brought that up. It might have been Mickey Kantor, even though he was the U.S. Trade Representative. He had chaired the campaign, and I remember him saying that healthcare was what we promised after the economic package. We ought to do that.

In any event, what happened is we needed those decisions to run the numbers, to be ready for September 20, to have a plan with all the numbers vetted. They couldn't get it done. People came back grumpy for a meeting, and some of them cared more about NAFTA. Finally it wasn't until the first two weeks of September that we got all the decisions we needed, and then it was a week before we had to introduce the plan so that all the numbers that went into OMB and Treasury could be vetted.

We were worried about the plan leaking out before it was ready, before we had everything done, so we set up a reading room for the Members of Congress because the Democrats were rightly saying, “We need to know what this plan is. You've been hiding the ball on us all summer.” The reality was we weren't hiding the ball; we just hadn't finished. Also, we were on orders not to

say anything, because we couldn't jeopardize the economic package, so we set up a reading room. Members of Congress would have to come in and read the thing.

We thought that was a safe way of not having it leaked, but of course it leaked out. The next morning it was being run out on copy machines all over Washington. A book was put out two days later with the plan. It was on the *New York Times* bestseller list the next week, and the section on the numbers, the budget, had the general categories but didn't have all the detail, even though we had detail, because OMB and Treasury hadn't vetted it. That's when we went into a period. Moynihan—I'll be careful what I say here, but he—

Heininger: Lots of other people have already said it.

Magaziner: Basically he had never wanted to do the healthcare thing.

Heininger: Right.

Magaziner: First, at least. And he was also insecure in his position as head of the Finance Committee, coming after somebody strong like Bentsen, and his staff people were not very knowledgeable about it. There were also personal things and so on, not with me but with the President and [George] Stephanopoulos, with Moynihan. Leon also was nervous because we didn't have everything vetted and so on. We went through a period about so-called fantasy numbers, and also where Leon and Lloyd were not fully out there saying we support these numbers because their own staffs hadn't told them they could support it.

When eventually all the hurdles were run, which didn't get done until the end of October, our numbers that we had submitted were within one-half of 1 percent of what came out of the Treasury and OMB. There was also an independent vetting of the numbers, which basically backed what we had said, but by then there had been a month of fantasy numbers out there, which had gotten into the consciousness and which fed into people's fears about Democrats.

I'll give you some materials on this, but the projections we had made on what would happen to the slowing of healthcare spending, where the savings could come to, were as we said, conservative, so healthcare spending actually slowed down to a much smaller rate of growth than we had projected. There was more than ample money to pay for everything out of savings. Anyway, that damage was out there.

The other thing that put the final nail in the coffin was—and I remember this very clearly. You need to reconstruct the time versus what has been said since. When the health package was introduced and the President made his speech in September, it was wildly popular. There were articles from Bill Schneider and elsewhere saying—unlike the economic package, which was a political nightmare in the way it was done; it was politically inept—“This healthcare thing is brilliant politics. It's brilliant and they're doing it exactly right.”

We had plotted out those first eight weeks, as I described to you, and the first week the President went down to Florida and made a speech. He did something in a diner in Queens, in New York. The press was all very favorable. The initial polls were like 65 percent favorability among the public for the President's healthcare plan. Some of the opposition groups, the health insurance industry association, had started with the Harry and Louise ads, and some things we had planned

weren't there to counter it. There were two groups that had committed money to an effort that we had had independently formed by Dick Celeste, who was heading it. We were going to commit money to counter what we knew was coming. We'd have a negative ad campaign from the NFIB [National Federation of Independent Business] and from HIAA [Health Insurance Association of America].

What happened was that the AFL-CIO and AARP [American Association of Retired Persons] were the two biggest funders of this other campaign in favor, but when NAFTA got introduced, Lane Kirkland came to see us and said, "We raised"—I forget if it was \$5 or \$10 million—"to fund a supportive campaign for healthcare. We can use it either to oppose NAFTA or to support healthcare. Don't do NAFTA." The President said, "I can't be blackmailed like this." We told Lane we're going to do NAFTA, so we never got that money. It went to an anti-NAFTA campaign. Even though the AFL-CIO had already endorsed health reform, they didn't put the money in.

With the AARP, one of our Cabinet officials who opposed the cuts in the growth of Medicare and Medicaid that we had in the budget to help support health reform—even though we were doing the fully funded drug package for Medicare and the fully funded long term care package in our proposal—thought she could gain a greater control over the process by leaking some things. She leaked something when the President was on vacation in August and I had taken a couple of days off—*Cuts in Medicare and Medicaid to be used to fund health reform, and some insiders in the administration concerned*—

The AARP started getting bombarded, and the Committee to Preserve Social Security and Medicare was ready to come out and oppose us. I had to rush back to Washington after just a day at home and put out the fires on this, but our support among seniors dropped by 15 points in a week because there was a week's worth of stories on this.

People like Porter Goss and some others were flirting with the idea of supporting the Republicans because they were from Florida and they were getting a lot of—All of a sudden this thing is going south, so the AARP couldn't come out and formally endorse us because they had some rebellion on their board, and they couldn't put up the money. They didn't formally endorse us for six months because of this controversy.

Notwithstanding all that—and that all happened in late August, with NAFTA—we still came out of the box with a very high approval rating. When the President did his first two visits, there were very rave reviews. Hillary went up to Congress to testify for a week—rave reviews. Some of the Republicans even thanked *her* for *my* having met with them for six months and all that kind of stuff.

I had some private talks with Chafee in August and September. He said, "You guys are going to come out a little bit to the left of where you want to be. We're going to come out to the right of where we want to be, but I think I can get a certain number of votes on this if we work together on it. I'm going to come out and publicly say that there are a couple of things in this Clinton bill we don't like. It's too bureaucratic, it's too rich a benefits package and so on, too much of a burden on business, but we can work on this, and I'm going to stop our people from drawing a

line in the sand on the employer mandate, which a lot of them want to do. I'm not going to hold all 23 of the Republicans I have in my group, but I can hold some of them."

We had talked a bit over the summer: should we try to come out with something joint? And he said, "It just won't work. It's got to be done where some of our people are kicking and screaming, dragged to it." I had some talks with Jim Cooper and his group, and at that point they were hostile to some of the things we were doing, some of the employer mandates, but we agreed that he'd come out with something and he'd call it "Clinton Light," which he did, and that we'd negotiate something where he could be seen to be making it less bureaucratic.

I was having these private conversations with people that I thought we'd need to bring over, and we had some hope that we could do that. Coming out of the box, it was important that we get, obviously, public approval. That was crucial. Then we counter these ads that were going to be run by the insurance industries and so on. Anyway, Hillary went up and did her thing, and it was very popular. We came out of that week even higher. The articles were all positive. Then, the third week, we were on the plane going out to California, where we were going to do a series of healthcare events on Air Force One, and the President got word of Blackhawk Down—soldiers killed in Somalia and Haiti.

As Mickey, or somebody, had said, the unanticipated happened. I remember it clearly, because one of the things you never want to do is—When you've got a crowd of 15,000 people waiting to hear a speech from the President of the United States, you don't want to be the substitute. But that's what I had to do, because he had to fly back to Washington, and I had to talk to this group. Then basically we had one day of his time between then and the end of November, because he first had to deal with the Haiti and Somalia crises, and then NAFTA ran into trouble and it had the mid-November deadline. He had to spend all his time lobbying around NAFTA.

Meanwhile, Hillary tried to get out, but it's not the same thing as having the President out there. We didn't have the AARP; we didn't have Labor. Labor was spending all its time, even though they endorsed us, fighting NAFTA. In my view, that period really from mid-August to December is when we lost healthcare, and the different decisions that I talked to you about: the idea that we do NAFTA and reinventing government at the same time, not leaving ourselves much margin; not getting the final decisions made between May and August; and then not getting them made in mid-August. The difference between mid-August and the second or third week in September would have been crucial, because we would have had all the numbers vetted and OMB and Treasury.

What was happening, to give Moynihan his due, is that his staff people, his Finance Committee people, were going to their friends in OMB and Treasury that they work with all the time saying, "What about these numbers? Is this right?" What they were getting back was "We don't know yet," not "We've vetted these and this is pretty right," so that made them all nervous. That extra three or four weeks we lost between mid-August and mid-September was crucial.

Notwithstanding all that, we still were OK in late September, because it was so popular initially. People wanted it. We had had discussions with the Chafees and the Coopers and others that led us to believe we could potentially do something here. But then, when we lost those six weeks, what happened is HIAA was out there with the Harry and Louise stuff. The NFIB was

supporting this scary radio campaign about it and George Will and these others were interpreting the plan for us incorrectly. “If you go to see your doctor without government approval, your doctor could go to jail.” Just crazy stuff that people began to believe because we had no way to counter it.

The White House, as you know, is not allowed to advertise. The independent group that we set up that was going to do that didn’t get the money it expected, and I guess there was a couple hundred million dollars out there over those three or four months of advertising against this, so all the advertisement—And we didn’t have the President out there. The news media of course would feel, whenever Hillary went out to say something, that they needed to have opponents saying the critical pieces, so that was all mixed messaging, and only the President can break through that when everybody else can’t.

We had an eight-week period where essentially our opponents defined our plan, not us. That also harkened back to a mistake we did make, which I opposed back in February, about not letting the press in on what we were doing. I had written a memo to our communications people saying we were having what we called “tollgate meetings,” which was a business decision-making process I had set up, and I had suggested inviting health reporters to come, because I said that it’s going to be very important, when the time comes, that they all understand in depth the decisions we made and why we made them. Not the meetings with the President, but to the options meetings, so that they could understand it, because this is complicated stuff. There was no way of getting around healthcare being complicated.

I had wanted to keep not the political reporters but the health reporters up to speed, and I got told that that was the dumbest thing I had ever suggested, coming to Washington. “You can’t do that.” My fear was that because we had hundreds of people involved in the process, there would be all kinds of leaks anyway. They were going to be writing stories anyway, and they may as well know what we’re really considering and what we’re not considering, and why.

The press did have a fair critique to make, which then got worse in the period from May to August, because everything shut down. We weren’t talking to them. That’s when Rush Limbaugh was doing his Ira searches, “Who is this guy? We’ve got a helicopter flying over the Executive Office Building.” That’s when I became Rasputin to Hillary’s Lady Macbeth, a strange twist of literary metaphor. What that meant is that when the fantasy-numbers stuff came out and all this opposition was out there, even the health reporters were trying to figure out what was in the plan, and I started meeting with them then, but it was very difficult. That period was when I think we really lost it.

The bill was sent down at the end of November after NAFTA was approved, and we were planning an all-out blitz with the new year to try to regain our footing, because at that point in December we still had about 52 percent approval, down from 66 percent. It was still borderline, although there was a lot of negative by then. I remember again, end of December, at a Christmas party at the White House, being called aside. That’s when the stuff on Whitewater was beginning to bubble, and the troopers, and then Hillary’s commodity scandal and so on, which was not a scandal at all but was portrayed as a scandal. We always knew that the popularity of the President and Hillary was going to be crucial, and it was very interesting throughout this whole

process. Statistically, with an R-squared of like 99.9 something, and the two-week lag, healthcare reform's popularity tracked Hillary's popularity. It was a very interesting phenomenon.

With Whitewater coming, getting hit in January, February—To give you some idea again of what we were facing, we put this in; Howard Paster, who then was our political congressional guy—I had begged from the beginning for Kirk to come in, but his son was ill and so on, and he didn't feel he could come in. Being new to Washington myself, I could do the policy stuff, but I needed somebody who was very senior and had a lot of congressional experience to deal with the Congress, and I needed a really good political person who could deal with the politics. I had been asking since early on to get that. Chris Jennings was junior. He had experience in the Senate, didn't know the House at the time, and was viewed as too junior. Steve Ricchetti was around, but he was being used on other stuff, and Howard was—

Heininger: He was under the House, not the Senate.

Magaziner: Yes, and Paster was all caught up in the economic program, as was his whole team. Harold Ickes, who was supposed to come in to do the politics piece in January or February, got caught up in issues in New York—investigations and so on that were going on with his work with labor unions, so he didn't show up. I'll never forget—and it's been recounted from the other side—probably my most uncomfortable time during my first year is [Daniel] Rostenkowski had requested a meeting with him and Dingell and Ford to understand what the political strategy was for healthcare. This was like March or April of the first year, because we were still saying we wanted it done in the first year.

Howard was supposed to go with me, and he would talk to them about the political strategy, because he had credibility with them, and I could answer the policy questions. I get there and Howard is detained by an economic policy meeting on the economic program. I'm sitting there alone with these guys. They know me vaguely, and they know me as a policy wonk that they had consulted, but they don't have any faith, quite correctly, that I know anything about the politics of this. I basically had to say to them, "I really can't answer your questions. We've got to wait for Howard to come." At that point, I could see in their eyes that their view of me was, *What the heck is this?*

The problem then, during the summer—Howard had made the decision to leave. He said, "I told the President I can do NAFTA, because that has to be over by November or December, but I can't do healthcare," so we had nobody on the congressional side of this at the senior level on healthcare, and Harold was still detained, not showing up. I remember David Gergen, who had then been brought into the White House, saying to me the first time I met with him, "If this were the Reagan White House, you'd have a real heavyweight. You'd be running the policy and you'd have someone like a [James A., III] Baker running the politics." I forget the names he mentioned. He mentioned [Kenneth] Duberstein running the congressional side, somebody the congressional people have known for 20 years and trust and think is a good operative who understands the Congress. "This is craziness, that you and Hillary are out there trying to do this on your own."

And I said, tell me about it. I've been asking since early on to get those people, because that's not where my experience or expertise is, but what are you going to do? When the answer comes

back, “Yes, we’re looking, we’re trying,” you keep going, because they keep telling you you’ve got to have—

I say all this because I talked to Ted a number of times because he was somebody I trusted and who could help, at least with the Senate politics. He talked to John Hilley, whom he had mentioned a couple of times, because he seemed like a bright, sympathetic guy who knew how the Senate worked, but in the House, I talked to Gephardt. The House was just a nightmare. You had these strong committee chairs. Anyway, we thought we would do a big, new push in January, and then Whitewater hit. Harold Ickes finally was coming in December.

I don’t know if you know Harold, but he’s a pretty tough political operative. He and I had always gotten along reasonably well, and I could sense that he would be worried about this. “OK, Ira’s been running this thing, and now I’m going to come in and be taking it over politically. Is he going to feel like I’m invading his turf?” I remember it because we joked about it afterward. I greeted him like a savior. The first meeting we had I said, “Harold, God, I wish you were here six months ago.” I laid out for him for a couple of hours all the problems and everything I saw politically. I said, “I’m so glad you’re here.”

Then literally, I had him for a week when he was diverted to deal with the Whitewater crisis. Here he’s come in, he’s supposed to run healthcare politically. Hillary was under attack in early January. We’d have healthcare meetings that got canceled because they had to have Whitewater meetings. I remember somebody sending me a transcript from Nick Baldick saying Whitewater’s all about healthcare, and that’s exactly what it was. We had a period for about a month and a half where we were doing our big relaunch of healthcare. We had meetings with the committee chairs down at the White House, where they were all saying, “Don’t worry. We’ll do this. We’ll get it done.”

Then Rostenkowski was indicted. Chafee had said to me—He had used the example of the Clean Air Act, where he and Rostenkowski had basically negotiated that out and got it done, or that was at least Chafee’s view of it. When we had talked during the fall, Chafee had said to me, “When the time comes, I’ll sit down with Rostenkowski, and I think we can work something out here.” But then Rostenkowski was indicted.

George Mitchell announces he’s leaving the Senate, and says he’s going to devote his time to healthcare, but at that point a lot of the others weren’t listening. With all that going on—and then Dingell, who really wanted to do this and whose committee was crucial, had stocked his committee with a couple of more conservative Democrats when he was fighting against the acid rain stuff, so he had a couple of people on it that he couldn’t count on—[W. J.] Bill Tauzin and Jim Slattery. So, he wasn’t sure he could deliver his committee.

We went through a process where we finally began to get out there publicly, but again, it had already been defined for us. Then I thought of speeches around the country that I’d make for different Senators or Congressmen who invited me out, and people in the audience, angry, would say, “How come I can’t choose my doctor under your health plan?” I said, “You can.”

“You’re lying!” referring to some article they’d read. Betsy McCaughey, this woman who eventually became Lieutenant Governor of New York for a little while before she was

discredited—She knew nothing about health, and had written this article in the *New Republic*, which had all these inaccuracies. She won a prize for it, although a year or two later they wrote another article in the *New Republic* saying, “Oops! We printed this thing and actually here are all the ways it was wrong.” George Will picked up on that article and others did. That became the common wisdom, and it was all the financing.

There’s an interesting *Wall Street Journal* article where the *Wall Street Journal* had done a poll with NBC [National Broadcasting Corporation] in March of that year—now 1994. They had described a generic health plan, and said, “Would you support a health plan like this?” In fact, it was our plan, the major piece of it, and it was like 70-some percent approval. “What do you think of the Clinton health plan?” Thirty-eight or 40 percent approval.

What finally happened is, in the spring of ’94, Kennedy had gotten it through his committee, and I can tell you more as we get to Kennedy about that. Ford had gotten it through the Labor Committee and the House, which was somewhat easy to do. [Sam] Gibbons, who had taken over for Rostenkowski—We had the votes to get it passed in Ways and Means, so we passed Ways and Means. The Senate Finance Committee was hopeless. They were basically still flailing around, and we knew that was a key committee. Then in the Commerce Committee, Dingell couldn’t get it passed. We did have bills we could go with, and in Finance, Lawrence O’Donnell, who was running things—Moynihan was panicking at that point, because they didn’t know what they could do. Mitchell stepped in in the Senate and started organizing a process, and we started advising Hillary and Mitchell directly. This was April, May, June. There was a retreat about it and everything else, and he was trying to get the Democrats on board, rallied around something, plus a couple of key Republicans, and we had a series of negotiations in May, with a number of the more moderate Republicans, as well as the more conservative Democrats that Mitchell was involved with.

Again, you look at the things that lined up against you, but the Republicans that we thought we had a chance with—[James] Jeffords was already with us, and Chafee had told me privately he would want to be with us, try to be with us. We had [David] Durenberger, we had [Robert] Packwood, and we had [John] Danforth and [Nancy] Kassebaum, and those six would have been enough to do what we needed to do, but Packwood was in trouble, because that bad stuff was coming out. Durenberger was in trouble from [Charles] Keating.

Heininger: Yes.

Magaziner: [Robert] Dole, at that point—There was a meeting and Newt Gingrich and I actually became friendly a year or two after this, because he supported the stuff I was doing on the internet. Then we also, when I left the White House in 1999–2000, he co-chaired something that I was doing related to the internet, so we ended up talking quite a bit afterward, and so I got to hear—

Heininger: The post hoc story.

Magaziner: Yes, but it had a ring of truth to it. Frank Luntz independently verified this. He had taken over for Michael the previous fall, and there was this memo that’s since been published by [William] Kristol.

Heininger: Billy Kristol.

Magaziner: Yes. Saying that if any form of healthcare reform passes, the Democrats will have the majority for 20 years, so we can't let that happen. Gingrich bought into that.

Heininger: Which also came out at a very damaging time.

Magaziner: Yes.

Heininger: Which is about October of '93.

Magaziner: That's right. But Gingrich basically bought into that and felt that they had to block. In May, we had these meetings. There was a Republican retreat over Memorial Day weekend, the end of May, where Gingrich and Dole heard from Luntz and some others: "If we can defeat health reform, we won't get the blame. Clinton will get the blame and the Democrats will get the blame, and we'll win back the House and Senate." That was the message that Luntz delivered. At that point Dole was then thinking of running for President, whereas in the fall he had said, "We're going to get a healthcare bill and it will have universal coverage. It won't be what Clinton's proposed, but we'll get a bill." He was backing what Chafee had told him.

Heininger: And you had had a sense that he wanted a bill?

Magaziner: Yes, we did at that point. His line was, "We're not going to give them one vote on the economic package, but we'll do something on healthcare with them." He said in a speech universal coverage will be part of it, and Chafee privately verified that to me and said, "He has the running room to do that."

Heininger: So you get Dole changing his tune in May.

Magaziner: We had discussions in May, and we thought we saw what the deal could be. Ted was involved in this. For example, we let small businesses off the hook in terms of the employer mandate, and that was in Ted's bill, and we're going to cut from 80 percent to 50 percent, which had been the Chamber of Commerce proposal on the required employer payments. There's a list of things that had always been in our options book that we had always thought we'd eventually have to compromise on. Cut down the long term care program to make it more affordable, a variety of things.

We had had some discussions in May, and trigger mechanisms, because we were arguing that the cost savings could pay for stuff. There would be certain things that would come into effect if that turned out to be true, as trigger mechanisms. The kinds of things you would expect. We had had some fairly detailed discussions.

If you remember, Packwood and Danforth and [Richard] Durbin were all on the Finance Committee, so they would be able to carry the day on the Finance Committee with the Democrats, and [Thomas] Daschle was on it as well. We were doing a lot of this around Moynihan, because he wasn't getting it at all, but the others did. And then Dingell, even though he couldn't get his committee, and that was also just unfortunate politics.

[James] Slattery was deciding he was going to run for Senate in Kansas, a Democrat, a Congressman who lost. I remember going to him with Harold, and Harold saying to him, “This is not the right time for you to run for Senate, because if you oppose healthcare reform, unions and we aren’t going to support you, and if you favor it, a bunch of your business people—” He was telling us we were going to disappear on it. “You can’t win. You’re not going to win. At least do the right thing and get a healthcare reform package.” He was saying, “No. I believe in this. I would do it.”

Heininger: James Slattery, right.

Magaziner: He just wouldn’t listen. Cooper also was running for Senate, which is one of the reasons why he was being so firm, and of course he lost too. Anyway, the net effect is in May, we thought we were angling toward where a deal could be with some of the more conservative Democrats and Republicans, and some of the more conservative Democrats saying, “If you get us five or six Republicans in the Senate supporting this, that gives us cover and we’ll be OK.”

All of a sudden in June it was completely different. John Chafee couldn’t look me in the eye about it, and finally in late June, I said, “John, what’s going on?” We had a group that had been set up as a parallel group. We had set up this construct where OK, so Hillary and Magaziner and so on, they’re the absolutists who want the one compromise. But the President set up a different process, which of course was part of the review of things. It was a different process, where John Breaux took the lead, with a couple of others, in meeting with a group of moderate Republicans, the Danforths, the Durenbergers, and so on.

Heininger: Is this what turned out to be the mainstream group?

Magaziner: Yes. We’d offer something that they said they wanted, and then the bar moved. The next day it would be higher and we’d say yes, and so we’d move again, and kept moving. It became clear that they weren’t really serious, so we knew. This thing dragged on until September, but we knew in June that it was dead, because it was clear. When I talked to John, he finally, in July, said to me, “Look, Ira, I can’t do this. I’ve been told I can vote for the crime bill, but I can’t do this. My position on environmental stuff, which I care about—We think the Republicans are going to take control of the Senate. We’ve been advised of that. I can be Chairman of the Environment Committee, and that’s too important. I just can’t do this.” Dole had told them, “This is it. You can’t do this if you want to be head of the committee.”

It was a very clear message that John told me, finally, because he was so embarrassed at the way he was going back on things he had said to me. I knew it was dead in June, and I told the President that, but nobody wanted to be responsible for killing it, so this process went on over the summer and into the fall and so on, which Durenberger and [Nancy] Johnson completely missed. They called it this HEROIC [Health system, evidence-based medicine, responsibility, outcomes accountability, information technology, commitment] process. It was a nonsense process.

To answer your question, which you asked me to answer simply, and I didn’t, is we knew we had an uphill battle from the beginning. The economic program getting into trouble set us off our schedule and undermined the sense of inevitability, which was causing interest groups to come to

the table. That delay then caused people like [Willis] Gradison, who was running HIAA and so on, to say, “Maybe we can beat this thing.” Because they were also hearing that. I knew Gradison because his kids were in school with my kids.

They were also hearing that there were forces within the administration that wanted to put off healthcare introduction, so they felt like, *Hey, maybe we could beat this thing*. It emboldened them. When we launched, we had Somalia and Haiti, and because we had the delay in the summer with the numbers, we ran into the questions about our numbers being fantasy numbers. So that delay during the summer in decision making, which is our fault, took place. We tried to do NAFTA, reinventing government, and healthcare at the same time, and we ran into the problem that when Haiti and Somalia happened, we were the ones that got delayed. Our whole public campaign for the first eight weeks went off track. When we were going to try to relaunch the public campaign in January, Whitewater comes and the commodities thing comes, and then the Republicans start getting told they can take back the House and Senate if they don’t agree to healthcare.

That’s what happened, and I guess the way I would characterize it—and then we had made the mistake of not being more open with the news media. Maybe I’m wrong about that and maybe it wouldn’t have done any good, but I felt like we should have been from the beginning. I guess the best way to put it is that in order to have succeeded at this, we had to have a lot of things going our way, because it was an uphill battle to begin with, and in fact a lot of things didn’t go our way but went the other way: Rostenkowski being indicted; Mitchell deciding to leave the Senate; Blackhawk Down in Somalia, and it happening when it happened; Haiti. There was a series of things that intervened that made it that much harder, and in the end, we couldn’t overcome those.

Heininger: To put it in a real hypothetical—If Clinton had come in and the day after inauguration had laid down a bill, any bill, and just said, “Take it from here,” do you think you would have had a better chance?

Magaziner: It’s a good question. We considered something like that. The problem was, and here Dick Gephardt and George Mitchell both advised us, what would that bill have been, because you had so many different Democratic bills that were very strongly opposed by other Democrats, each one of them? What we did, ultimately, if you look at the major pieces of our bill, there were antecedents of it in other bills that had been introduced.

Heininger: Right.

Magaziner: But we were always looking at that moderate Democrat, moderate Republican group as the group that we had to deal with, get on board, because the Starks, even though they’d be upset and everything else, they weren’t going to vote against health reform, we felt. If you look at everything, from the purchasing cooperatives we had to the alliances, there were bills that Danforth had co-sponsored or [David] McCurdy and [Daniel] Glickman in the House, that were bipartisan bills that had all these elements in them. We could always point to a bipartisan bill, so we constructed something that was built on previous bills that were more in the center of things that we hoped to attract—moderate Republicans and moderate Democrats. So theoretically, yes. If we had had a bill to lay down Day One—but even then there would have been the question of

all the interest groups feeling like we hadn't consulted with them. What we might have done, in retrospect—But here, again, we were advised differently.

What Gephardt and Mitchell had said to us in those first meetings was “You have to come with something that is the President's bill, because we have failed to get a consensus in the Congress on this among Democrats. The only way we can do that is if it's the President's bill and we say we have to work from the President's bill.” Then the discussion became, should that be a skeleton bill or a detailed bill? That's where I think President Clinton might say we should have done something different. We discussed this a lot during the time. The arguments on both sides we know, because we did a skeleton bill that had certain principles, and then you said to the committees—

Heininger: Flesh it out.

Magaziner: Flesh it out, right. Then they would have found the compromise, hopefully, and the interest groups wouldn't have felt they had two bites of the apple, because as it was, they could come at us for what was in our bill, then they could go to the Congress and have another bite at the apple. If we just put up a principle bill, a framework bill, then it would have all been fleshed out in the committees. We debated that over and over again, and Gephardt and Dingell and Mitchell all said, “You have to come with a complete bill, because if you don't, you'll have two problems. One is, I'm not sure we can get to that compromise; and number two, CBO will come out and say this can't be costed. People will say that you're hiding the ball on the public on what you're really going to do, because you're just putting these principles out there, so you need to come with a detailed bill that can be costed and that can be modified, but something that's real out there. Otherwise, it will be too difficult to fashion.”

I don't know the answer. If you throw a pass and it doesn't work, should you have run? You don't know what would have happened if you had run. We failed, so by definition, anybody's other idea is better.

Heininger: If you hadn't had Byrd opposing you on budget reconciliation, what would you have had on budget reconciliation? Could it have been any more than a skeleton bill? Was there enough in place at that point?

Magaziner: Yes. We had enough by then. That would have had to be introduced in March, and we had enough by March. The process I started in January. We were literally working night and day. I slept at home maybe two nights. I slept on my couch, and I had a team of people working, because we thought we'd have to be ready. We didn't have everything, but we would have had enough, and there were six or seven things we had to have. We could have had some of the skeleton bill. In any event, the appropriations are where you really flesh it all out, but we would have had enough for a budget skeleton in March. We had a full bill by the end of April, if we could have gotten the final decisions in the White House.

Heininger: Now what was Kennedy advising you? In January, as before, you're coming in. You get the message that this is going to be an uphill battle, and you're also getting the message that dealing with the Democrats is like herding cats.

Magaziner: In the House that was the most concerning, yes.

Heininger: Well, and even in the Senate you probably would have been herding cats too. But if you can go on budget reconciliation, which is the advice you're given, then you may have a shot. What was Kennedy advising at this point? What was his assessment as you were getting ready to come into office, as to what you should be doing?

Magaziner: We talked to Mitchell and Gephardt more about that than we did to Kennedy. What we talked to Kennedy about was jurisdiction questions between Labor and Finance, and we wanted to have as much in his committee as we could because we felt it was a more friendly committee and also one where, even if there were things that had to also be in a Finance bill, if we had it in the Labor bill, then it would be on the table and reconcilable.

Heininger: When was Bentsen named?

Magaziner: Bentsen was named in November to be Treasury Secretary, so he was gone.

Heininger: Yes.

Magaziner: We were dealing with Moynihan from the beginning. He was the new committee chair.

Heininger: So you already knew you were going to have a problem with Finance?

Magaziner: Yes, and the first meeting I had with Moynihan, he said, "You shouldn't do healthcare."

Heininger: What you wanted to craft at that point was as much that could fall into the Labor Committee, as compared to Finance, with the unfortunate problem that Finance has to deal with the taxing part of it.

Magaziner: Had to be that, that's right. Finance had to have part of it, and similarly in the House, we wanted to have—but more importantly in the Senate.

Heininger: Because you did have somebody sympathetic in Rostenkowski—

Magaziner: We did.

Heininger: —without knowing what was going to happen to him.

Magaziner: Yes, without knowing. He was clearly on board with it, plus we had a bigger majority in the House.

Heininger: Right.

Magaziner: There was a sense that when push came to shove, you could control Stark, who was otherwise a loose cannon, but also we needed Dingell for pieces of it. Dingell was a strong chair. The question was could he bring his committee along. Everybody said yes, he will at the end of the day, but he couldn't at the end of the day.

Heininger: You had lots of change by the end of the day too.

Magaziner: Yes. We had this hiatus where Pat Griffin eventually came on to replace Paster, but Pat was caught up in Whitewater too, so we didn't have his attention until the spring. But the question of whether we should have done the more skeleton-type bill—I don't know. The President would probably say in retrospect that he should have. We had offered this, by the way, when Breaux was doing his thing. We said, "You can come with a Dole-Mitchell bill or whatever you want, and we'll say the Clinton bill is dead, because we want to get health reform done." We had always envisioned that something would have to happen that brought Chafee and his group and Cooper and his group on board. The question was how that happened or when it happened, and we always were having discussions with Chafee, or at least I was, about it and with Cooper about it. I have stuff in writing that will document all that if people have short memories.

Heininger: I think it's relatively well known, though.

Magaziner: We were always doing that discussing, and Kennedy was always doing that discussing. Once Byrd said no, I remember talking to Kennedy, "OK, where do we go from here?" and he said, "Just get us a bill. It's less important exactly what's in it, but let us start working with it." I don't recall him advising, one way or another, on full bill versus skeleton bill. He may have. I remember Gephardt feeling very strongly that it had to be a full bill, and that he just couldn't get the compromises unless he had something where he could say this was the President's.

I remember afterward, [David] Abernathy, who's a Rostenkowski guy, saying, "What we never had was the President coming up and saying: 'God damn it, this is my bill. I want this.'" He never was tough like that. He was always looking for us to work it out, and then all the disagreements we had came to the fore. There was that sense, particularly in the House, that it would be very hard to get these different factions reconciled, because you had strong personalities in Stark and Cooper and in Durbin, Ford, and Dingell. All these people had strong views of the world.

Heininger: But if anything, is it fair to say it was sunk by timing, and having to deal with the economy?

Magaziner: Well, the fact that we had to do deficit reduction first, yes, contributed to it.

Heininger: Meaning, if you had a Democratic President who had come in—if Clinton had had the fortune to come in when the Republicans hadn't run up such a large deficit, so that that had to be the first—

Magaziner: It would have been much easier, no question.

Heininger: Could it have gotten through without that, though? Absent having to do the deficit reduction, do you think it could have gotten through, or were you faced with an intractable situation where there wasn't enough basis for agreement?

Magaziner: It's hard to know. It would have been easier, without question. It's hard to say that there was one nail that nailed the coffin shut. There were a number of these different things all happening in parallel. I remember talking to one of Bentsen's legislative guys whom I had gone

to school with, and he said, "You're not going to get the Congress to take two hard votes in a year. There's no way you're going to get healthcare this year, because the economic program has to come first." That was the primary thing Clinton had run on. "You've got to get the deficit hawks on your side, feeling like you're fiscally responsible, and you're just not going to get it. And if you don't get it in Year One, you're not going to get in Year Two, with a congressional election coming up. Therefore it's a Year Three deal."

That was Bentsen's view from the beginning. Bentsen's view was you can do the economic program, we can do NAFTA, but we can't do anything else.

Heininger: Would you have had an easier time if Bentsen had remained chair of Finance and not gone to Treasury?

Magaziner: Oh, without question. But what Clinton felt about that is Bentsen came to see him and said, "I want to be Secretary of the Treasury." And so you either face the situation where you said no to him and had a hostile head of the Finance Committee, or you said yes to him. Plus Clinton thought he was capable.

Heininger: Yes, he was.

Magaziner: And he and Rubin knew each other, so they could get along.

Heininger: But he was a very strong Finance Chairman.

Magaziner: Yes. Were there mistakes on our side? Without question. My view of the way we dealt with the press was a mistake from the beginning, but also, we didn't have a strong legislative or political person on this from the beginning, and we needed that. But not having strong committee chairs, not having a Dingell who could deliver his committee, not having a strong Finance Chair in the Senate, that made it a hundred times harder.

Heininger: And then losing Rostenkowski.

Magaziner: Losing Rostenkowski and losing Mitchell because he became a lame duck.

Heininger: What you had was Kennedy.

Magaziner: What we had was Kennedy, and Kennedy was heroic in this thing. The thing that struck me about Kennedy, and we should talk about Kennedy in all this. From Day One, Nick Littlefield and David Nexon, fabulous. Substance-wise, fabulous ideas, and also politically, just on giving me readings on little things that we were looking at and the difficulties and the history and everything else.

Whenever you talked to Ted Kennedy, it was not, "I need to get this bridge in my district." It was all about "How do we get health reform? There's no one right answer on the policy," which I agreed with. "There's a lot of different ways to do this. Let's figure out how we can get it done." It was just a breath of fresh air always to be working with him compared to others because it was all about What's the right policy? How do we get the right policy done? And always also this optimism and excitement and positive spirit about it all that he brought.

Dealing with him was just a breath of fresh air, among everybody we dealt with. He ultimately played a role in getting Jeffords to come over in the beginning, and I think he was always able to keep [Orrin] Hatch at least talking to us and eventually got something through his committee, which was very helpful, then wanted to take it the next step. And he was with Mitchell, the two of them. George Mitchell was—I don't know if he hadn't said he was leaving, whether that would have helped. It probably would have, but you know he and Mitchell both were just so positive in all this, in trying to find the compromises, trying to find what could be done, but we needed a counterpart in Finance.

Lawrence O'Donnell was a nightmare. He knew nothing about this. He was arrogant. His solution was "Who knows what universal coverage is, so if we get it from 85 to 87 percent, we'll just say it's universal coverage and everybody will accept it because we're saying it." We knew that CBO was going to reject the Cooper-Chafee stuff. I told Chafee that and I said, "Where are you going to be left?" I told Cooper that. "The CBO's not going to score it, so then what are you going to do?" And I told Moynihan, "You're not going to get scoring for these ideas you have."

Because I had spent so much time with [Robert] Reischauer, and we had to do some things on our bill I didn't want to do, like having a cap on premiums, because Reischauer would score the cap. He didn't believe the competition was bringing down the cost. We told him it was, but he didn't believe it, so we had to put the cap in, and the cap angered the Durenbergers and Danforths, but it had to be there to get scored, and we did get scored. None of the other bills got scored, and the bill Moynihan eventually passed through Finance was such a ridiculous bill that it would have never been scored. But by then he was panicked because he felt like he had to get something through.

When Reischauer came back with some preliminary things to Cooper, saying that there are things that were going to cost through the roof, then everybody knew it was gone, it was dead, because we were the only ones that got scored. Kennedy and his people understood all that, and Moynihan and his people did not, to put it simply, but there was nothing we could do about it. One of the things we did—and they were the only ones we did it with—I talked to Kennedy, and we let David and Nick come in and read the bill before we released it to everybody else so that they could rewrite language in ways that would help get more of it referred to Labor, because we could tell by then that we had a knowledgeable staff there to deal with, which we didn't have at Finance.

Heininger: The relationship between Kennedy and Moynihan was not of the closest, either.

Magaziner: No. I could say things about Moynihan, which I don't want to say in this, but he was very difficult to deal with. And then the House situation, what we had always thought was—[Thomas] Foley wasn't going to be able to pull people together, but what we had always thought was that Rostenkowski, when the time came, would be able to step up and make it happen, and that he would have the power with—and people kept saying to us incorrectly that they thought that Dingell would ultimately be able to get his committee on board because he's such a strong chairman.

As Chafee had said, what would happen is Mitchell and Chafee, Rostenkowski and Dingell would eventually work this thing out one way or another, with us obviously as a player. When

we met with the committee chairs, we explored the idea of a supercommittee at some point, and the committee chairs obviously were against that. But we made very strong arguments—"We will get this done."

Again, we were in between Howard Paster and Pat Griffin at the time, but Paster said to us, "If Rostenkowski, with Dingell and Ford—These are all strong chairmen—if they say they're going to get this done, they'll get it done. So you shouldn't force them into a supercommittee or something like that." Gephardt basically said the same thing. And then in the Senate, it was always, "Can we get Chafee in that group of six?"—or maybe it becomes eight or nine—"to agree?" Dole was on record in the fall saying we want a health bill, so it was a question of OK, you have Moynihan, who is weak, but when the time comes maybe Bentsen can reach in and help you out, and Daschle was there and some others. If Kennedy gets a bill out of Labor, then Finance will have to get something out.

Heininger: Kennedy did get his bill out first, didn't he?

Magaziner: He got his bill out first, and Mitchell was on the Finance Committee also. So you have Mitchell there and you have Daschle there.

Heininger: You have Durenberger there too.

Magaziner: Yes. On the Democratic side you had Mitchell, Daschle, and Rockefeller. On the Republican side, you had four of the Republicans we thought we could get. You had Danforth, Durenberger, Chafee and—

Heininger: There was a fourth one.

Magaziner: I'll think of it in a second. And then you had Kassebaum and Jeffords on Labor, so you thought that could work. Oh, and Packwood, who was the senior member.

Heininger: Right.

Magaziner: And all four of those we felt would support reform.

Heininger: They too wanted a bill, all four of them.

Magaziner: Yes, they wanted the bill. The feeling was that the mechanics potentially are there, and Mitchell and Chafee got along well. Chafee and Rostenkowski could work together well, and I saw Danforth and Durenberger a number of times. With Packwood, he was saying, "Why don't you say you're not doing an employer mandate, but just say you're doing an individual mandate with an employer contribution?" We took the language from the bill that Packwood had written and submitted for Nixon on the employer mandate. Remember? That was an employer mandate bill.

Heininger: Yes, I do.

Magaziner: We took Packwood's language. We took Durenberger and Danforth's language in the health alliances. That was in a bill that they did with McCurdy and Glickman. So some of the

things that were most controversial in our bills, we actually took language from bills that the swing people we needed had written, and that's part of the reason why Stark was so angry, because he didn't like those guys, but we felt we needed them. So we thought this could be potentially doable. If we had submitted the skeleton bill versus a detailed one, would that have made a difference? I don't know, but we made it clear from the beginning that we were very flexible.

I had this wall full of the things we had done, scenarios we had done, and when Mitchell stepped in, and they were looking on a couple of things—when they were still doing negotiations with Breaux and these guys, when they had something that somebody suggested or someone had a problem, we literally could come back within a day or two with, “OK, here are some alternatives and here's how they'd work financially.” That actually helped quite a bit as they were doing those negotiations, because we could give them quick turnarounds on things.

But at the end of the day, it became enmeshed in the view that the Republicans could win if there was no health bill, because they were right about that. Luntz was right that it had become so polarized by then that Democrats would blame the Clinton administration for not getting it done, and the Republicans hated it, so that there was no downside for the Republicans in defeating it, that it was going to, at that point, help their election.

Heininger: So you had a fairly clear legislative strategy.

Magaziner: Yes. It might have been misguided.

Heininger: But it was a fairly clear legislative strategy from the beginning that got unraveled by the loss of powerful chairmen, a major shift in how the Republicans viewed what could come out of this, so that you get—When did it become clear to you that the Republicans just weren't going to score anything?

Magaziner: In June.

Heininger: Not earlier than that?

Magaziner: No, because we knew that Dole and some of the others were pulling away, but Chafee was still telling us that he was going to try and work out a compromise, and that it could be done. We had individual meetings with Mitchell. He had them, and then in late April and May, we brought in individually the major swing Democrats and Republicans into the Oval Office, in the Senate. The Senate was key, so we brought in everybody from Dianne Feinstein, who had questions; to Joe Lieberman, to [Richard] Shelby from Alabama, who was still a Democrat at the time.

And we had individual discussions. We knew where everybody stood, and then we brought in the individual Congressmen. We talked to Durenberger separately, Danforth separately, Chafee separately, Packwood separately, et cetera. The President of the United States, in the Oval Office, shook hands with a number of these guys on “If we do this, will you do this?” “Yes, we will.” “OK.” Then in June, when we were going to try to cement all this, and we brought them back in, it was all changed. I remember asking a couple of them, “You sat here with the

President of the United States. You shook his hand and you said this.” “Well, that was then; this is now.”

Heininger: What changed? Did Dole change between May and June?

Magaziner: What I’ve understood is that that late May retreat that they had, about the Senate and House races—I have this from Luntz and I have it from Gingrich, and I got it somewhat from Chafee before he died, that the political discussion was so compelling that they could take back both the House and Senate if there was no health bill, and that on the contrary, if there *was* a health bill, no matter what it was and no matter what it was called, Clinton and the Democrats would get the credit. That’s what Luntz reported to them.

Heininger: Which had been laid out nearly nine months earlier with Bill Kristol’s memo.

Magaziner: Yes.

Heininger: But didn’t filter down until—It was supposed to be crystallized with the Republican caucus until the end of May.

Magaziner: That’s what I believe happened. Sheila Burke was having all kinds of positive discussions with us all through the fall.

Heininger: She wanted a bill too, didn’t she?

Magaziner: She wanted a bill. Then all of a sudden, boom. Nothing.

Heininger: When was it that Dole decided he was going to run?

Magaziner: Around that time.

Heininger: So that restricted his ability to operate too.

Magaziner: That’s right. I can pinpoint that retreat, because both Luntz and Gingrich and also Chafee referred to it. My guess is it wasn’t an abrupt thing; it was something that you know from the Kristol memo. At the time it came out, it may have influenced Gingrich.

The other thing that people point out as a watershed is that when it became clear in April that Dingell couldn’t get his committee to come along, that that signaled something that said this can be beaten. I think they had the sense in May that as people used to say about Bentsen, that they could defeat this without their fingerprints being on it, and that on the other hand if it passed, all the credit would go elsewhere. That became generally accepted among the leadership, including Dole, at that point. Gingrich may have been there earlier, but I think it became Dole doing the enforcing after that, and that’s what Chafee told him. Packwood had run as well, because both he and Durenberger needed Dole, and Dole was saving them from things that were happening.

Heininger: Their troubles.

Magaziner: Their troubles.

Heininger: If we look at the three major attempts to get major healthcare reform in the Nixon era, it was really Kennedy against Nixon, and Kennedy was very much out in front and was the lead for a number of years. If you look at it under the Carter administration, where again there is a process where it takes a long time for them to develop anything, questions as to how serious was his commitment—and Califano eventually comes out with a set of principles, but it's deep in the administration and they're hampered by economic problems too. Again, it's Kennedy versus the President.

Magaziner: Right.

Heininger: How would you characterize Kennedy's role in the Clinton effort?

Magaziner: Even though he was not as much of an individual public figure as a leader in this, although he was one of a number of them, his counsel and that of his staff was extremely valuable and important. He rallied the effort, in the spring, played an important role with us, and with Mitchell, on the substance, as well as on trying to get some of these Republicans to come along.

His efforts were heroic, because if I look at the week-to-week, he was always there with advice, always there trying to strategize with us, always trying to collar Packwood, collar Chafee, Durenberger, and so on, talk to them, trying to figure out where the compromise could be in very intelligent ways. He was always working with Mitchell and stuff that Mitchell—Mitchell was the out-front guy on those discussions, but Kennedy was always there. From my point of view and I think President Clinton's point of view, he played a very important role.

Where the common reading of things is wrong is some people say he shouldn't have appointed his wife to do this, because that helped doom it or something. I think the contrary. If Hillary hadn't been out there on this, we would have never gotten off the ground. It was because she was there that all the interest groups and lobbyists felt like "Hey, this may happen. We'd better try to do something here." It showed his commitment.

The other thing is that because there was no leadership on the Finance Committee, Kennedy's role in the Senate was crucial. There was a whole series of Senators who may not have wanted to publicly be seen as Kennedy Democrats. We nevertheless relied on him for advice and where the right place to be was. I saw that on a number of occasions.

Howell Heflin, from Alabama, who wouldn't have wanted to identify himself as—nevertheless, he would always be asking Kennedy and Kennedy's people, "Where's Kennedy on this?" There were a number of examples like that. Joe Biden was another one, and there was a whole series of others. Feinstein, who took a more conservative posture on the thing, a more skeptical posture, still would want to understand where Kennedy was and get ideas from him and so on. Behind the scenes he played a very significant role. Mitchell obviously relied on him, but the same was true for a lot of the Republicans.

Heininger: But whereas the first two efforts were very much he was the public face, was it beneficial that he was not the public face?

Magaziner: I don't know, but he certainly played a beneficial role. I have trouble with what ifs, like OK, so if Hillary hadn't been appointed, then how would it have been structured? Or if we had done the skeleton bill instead of the other, who knows? I know he played a very valuable role. If he had been the public face, would that have been better or worse? I don't know. The conventional wisdom would have been that it would have been worse because it would have branded it as something too liberal, because he had that image of being too liberal. On the other hand, Kennedy-Kassebaum [Health Insurance Portability and Accountability Act of 1996] and Kennedy and Hatch on No Child Left Behind [Act of 2001] and everything else. He gets stuff done.

Heininger: Different timing though. Let's just briefly go over the Kennedy-Kassebaum. After you get through healthcare reform, why was it possible to get through Kennedy-Kassebaum?

Magaziner: Because of the insurance reforms. People felt like they were vulnerable on the fact that nothing had gotten done. Even the Republicans had said "Well, we'll come back and do it next year. We'll get rid of this Clinton bill—It's been awful—but we'll come back next year and do health reform." Everybody was saying that, so I think they felt like they had to do something, and Kennedy-Kassebaum was a lowest common denominator in terms of insurance reform and something that had minimal impact, frankly, but which was not a negative. It was a positive, in which people felt like they could say they did something on healthcare. It's as simple as that.

Heininger: But the Republicans needed something as much as the Democrats did.

Magaziner: Republicans needed something as much as the Democrats.

Heininger: What about SCHIP [State Children's Health Insurance Program]?

Magaziner: People had understood during the health reform debate that children were cheaper to cover and that people are more sympathetic to children, and that therefore you could potentially do something with children, so I think that was a similar thing, where a number of the moderate Republicans needed something, and you could do it as an expansion of existing programs. With the improving budget picture, again it gave cover to the fact that you weren't doing health reform, so it became possible. Again, both of those bills are positive, and I support them obviously, but there's relatively minimal impact in both cases.

Heininger: Well, I've taken a great deal of your time.

[END OF TRANSCRIPT]

Appendix

WHY THE CLINTON HEALTH REFORM FAILED

By Ira Magaziner

The day after the inauguration in January of 1993, Bill Clinton, Hillary Clinton, and I met in the Oval Office to discuss the health reform effort. We relayed to each other advice we had been getting not to attempt to do a major reform. It would be doomed to failure. While many agreed that comprehensive reform would be desirable, those with Washington experience told us that there were too many powerful groups that had large economic interests at stake who would oppose us, and that supporting interest groups held widely diverging opinions on what to do. Even within the Democratic caucus, there were differing opinions held with religious fervor. There were factions supporting Canada-style single-payer, Medicare for All, managed competition under a global budget, pure managed competition, individual mandate solutions, and piecemeal reforms.

Even more worrisome were divisions within the new administration that had been voiced to President Clinton. Secretary Bentsen, who had chaired the Senate Finance Committee with jurisdiction over health care, advocated for putting off health reform to a second term as it would be too contentious. Leon Panetta at OMB and Bob Rubin at NEC [National Economic Council] did not want anything to proceed on health care reform until they passed a bill cutting the budget deficit. They feared that health reform could make the budget negotiations more complicated. Donna Shalala was miffed that she was not put in charge of health reform and was allied, along with Alice Rivlin, with the Medicare for All group. Bruce Reed and others with DLC backgrounds favored the pure managed-competition approach. And that was just the tip of the iceberg.

We discussed whether we should just present some simple reforms on which most could agree—like guaranteed issue—and then take on the more difficult reforms later, but President Clinton felt that he had promised to do comprehensive health reform during the campaign, that the issue was too important to too many people in the country, and that the economy could not be fully repaired unless we took it on. We all knew that it would be an uphill battle with significantly more than a 50 percent chance of failure, but we all agreed that it was important to try.

We met the next day separately with House and Senate Majority Leaders Dick Gephardt and George Mitchell, respectively, to discuss political strategy on health reform. Both made a few key points:

1. If we had any hope of passing a meaningful bill, we had to move quickly. Health reform would be too politically complicated to pass in a midterm election year. It had to be considered and passed by the end of 1993, which meant either it had to go into budget reconciliation (difficult because of the Byrd rule) or it had to be introduced early in the spring so that there would be time to run it through the committees and get it to a vote by December.

2. Both indicated that the President had to prepare the bill. There were too many divisions in Congress among Democrats to leave it to the Congress to develop the bill. Even though giving principles to congressional leaders and letting them write the bill was often the better way to go, in this case, it would not work. Gephardt told us that there had been a fistfight in the House Democratic caucus room between advocates of “Medicare for All” and advocates for managed competition. There was no way he could get consensus to develop a bill in the House. It would only be if a Democratic President still in his honeymoon introduced the bill that it would have a chance of working. He also said that there was no way to avoid going to the committees with the bill. John Dingell, who chaired Commerce; Dan Rostenkowski, who chaired Ways and Means; and Bill Ford, who chaired the Labor Committee, were all strong chairs who would want to have their piece of jurisdiction and “wheel and deal” on changes to the bill. In the Senate, Mitchell told us that Patrick Moynihan, who now chaired Finance, would be a problem because he was new to the chairmanship and wanted to do welfare reform, which was his longtime passion before considering health reform. Senator Kennedy, who chaired the Labor Committee, would be a very knowledgeable supporter, but much of the bill would have to be run through the Finance Committee.

The President, the First Lady, and I met again the next day and decided that if there was going to be any chance of success, we had to do the following:

1. We had to develop a plan in 100 days so that it could be ready for introduction by early May. The President announced that he would do so. This was necessary for the legislative process so that a bill could be passed by December. It was also necessary because interest groups had to be made to feel that “the train was going to leave the station” and that they had to make compromises soon and get on it soon or miss out on the trip. We were aware that the easiest way to kill legislation in Washington is to delay it to death.

2. The plan had to be comprehensive and fully costed. In an era where deficit reduction was “king,” we had to have CBO score the bill as not adding to the deficit but rather over time helping to reduce the budget deficit. We also would convene experts from around the country who were not part of the Washington special-interest groups to try to build a detailed plan that would be fully debated by experts in each field that the reform considered. We would also investigate in detail different options on each issue and cost them out so that we could prepare for a congressional process where modifications would undoubtedly be necessary.

3. The NEC was intent on not having health reform interfere with the economic bill, so we had to avoid talk in the press about health reform and limit our discussions with Congress to a few introductory meetings until the economic package was passed. The sense in the White House at that time was that the economic package could be passed by May so that this should not be too burdensome. Health reform would be introduced immediately after the economic package passed.

4. I would meet with all the interest groups so that we could receive their input. (I met with over 100 different groups between February 1 and the end of May.) Though the

narrative changed when health reform was going down and I was an easy target, at that time, there were frequent stories about how open I was being and how I was listening to many groups.

The task force working groups met around the clock to finish the work by early May. I slept on my office couch most nights and only for a few hours. Lloyd Bentsen, Leon Panetta, Bob Rubin, Donna Shalala, and other officials met with the President and First Lady directly to express their views on health care and there were several meetings beginning in early March in the Roosevelt Room at the White House, where about 20 to 30 people from different relevant agencies met with the President, the First Lady, and me and we discussed different parts of the plan. These meetings ended only when the contents of one of the discussions showed up on the front page of the *Washington Post* the next day.

We met our deadline and had a full report ready by the 100-day deadline. We just needed decisions on six final issues and a final sign-off from key Cabinet officials and the President. We disbanded the large task force in May because they had finished their work.

In retrospect, the prospect of comprehensive health reform began dying that spring and summer. The honeymoon period for the President ended with the travel office issue and the delay of the economic package. As expected, we could not get health reform into reconciliation. The economic package ran into serious problems and would ultimately not pass until late in the summer and then just barely. Between early May and late August, we were not allowed to talk about health reform for fear that it would jeopardize the economic package and that if the economic package went down, the administration would go down. We had set up what we had termed “the Delivery Room” to organize our public political push for health reform. It was taken over by what the economic team called the “war room” to organize support for the economic package.

There was a palpable change in the attitudes of many of the interest groups during this time. They became aware that the train was indefinitely delayed and was not going to leave the station anytime soon. They had time to organize an opposition. The President’s popularity was declining. Reform advocates began feeling that they had time to push their own approaches rather than having to fall in behind an administration approach that was not their first choice. Some found sympathetic ears at HHS, Treasury, and elsewhere giving rise to turf battles within the administration and negative leaks to the press over the summer from within the administration.

Hillary and I would have our daily meetings, frustrated that we were on hold and telling each other of parts of the coalition we had tried to build that were defecting, either to oppose meaningful reform or to push the administration to their own favorite flavor of reform.

When the economic package finally passed, we hoped to hold a health reform meeting to get final sign-off from the President and key Cabinet officials the next day, but they were all exhausted and went on vacations. It was not until the end of August that we could hold that meeting.

It was then that the Secretary of State, the Secretary of the Treasury, and the head of the NEC raised the argument that the administration should delay the introduction of health reform until NAFTA could be passed since the authority to pass NAFTA would expire that fall. The Vice President also wanted to introduce his reinventing government initiative immediately.

After a week of discussion, a compromise was reached where NAFTA and reinventing government would be introduced in early September, and then health reform immediately after; the President would be out talking about health reform several days every week during the fall. In retrospect, health care reform was dying, but we did temporarily take it off life support around the time of the announcement. There was initial enthusiasm, though the delay from May to September did allow the “Harry and Louise” ads and other opposition to form.

Perhaps most debilitating was that we lost active support from those who had promised us to commit funding for independent advertising to support comprehensive health reform. Labor focused attention on trying to defeat NAFTA. Other supportive groups like the AARP were alarmed by a *New York Times* article in August that was fueled by someone inside the administration who wanted a Medicare for All proposal. The article said that the plan would starve Medicare to fund health reform, which was not true. These groups had planned advertising campaigns to support health reform and those plans were put on hold.

Then the NAFTA debate took over and the crisis in Somalia occurred. The President’s schedule of health care events was canceled.

While the launch by the President and the initial congressional testimony by the First Lady occasioned very positive press, for the reasons above, we then had three months of negative advertising and publicity with no counter from our side. The President was preoccupied with other issues. The groups that had committed to positive advertising campaigns did not carry them out.

In December, after NAFTA had finally passed, we made one more attempt to revive health reform with what was to be a relaunch in January. Pat Griffin replaced Howard Paster as head of legislative affairs with the mandate to focus on health reform. Harold Ickes was brought in to coordinate the political effort for health reform.

Now that Pat and Harold were joining, we spent the first weeks of December planning the relaunch and then Whitewater hit the papers just before Christmas. The plans for the relaunch in January were put on hold and Harold and Pat were tapped to head the Whitewater emergency response team, whose work dragged on for the first months in the new year.

The political savants in the White House had always said that the popularity of health reform was tied to the popularity of the First Lady, which had been high. But that popularity declined precipitously with Whitewater, as did the popularity of the President.

It was not until late March that the health reform bill began to be discussed in earnest in the Congress. By then, the attention of most members was focused on the midterm elections. And the snake continued to bite us. Rostenkowski, the strong health reform advocate who ruled Ways and Means, was indicted; George Mitchell announced that he was retiring and became a lame duck with little ability to mobilize Senators and cut deals; and John Chafee, who was from my

home state and with whom I had been talking throughout the process, told me that he was not being given any latitude by his leadership to support health reform. Republican pollsters informed the Republican leadership in late May that any health reform bill would redound to the benefit of the Democrat President and Congress and that the best way for Republicans to take the Congress in the midterms was to deny the President any health reform bill. Opponents of health reform would celebrate and come to the polls to vote Republican, and supporters of health reform would feel that the Democrats had failed them and would stay home. The Republican pollsters were right.

Also, by the spring of 1994, there had been enough money spent on advertising opposing the Clinton health plan with virtually no publicity supporting it, that the public had turned against what they incorrectly thought was in the plan, that people would not be able to choose their own doctors and so forth.

There was a *Wall Street Journal* poll at the time that described a hypothetical health care plan and asked people what they thought of it. The plan had overwhelming support. The same poll then asked people what they thought of the Clinton health plan and the response was overwhelmingly negative. In fact, the hypothetical plan that the poll described was the Clinton health plan.

The advertising campaigns; the diversion of White House attention time after time to other things so that we did not have a timely, coordinated active response; the decline in popularity of the President and First Lady; and the subsequent loss of public support for something called the Clinton health plan were the major factors that caused the Republicans to make the political calculation that killing the bill was their best hope to take back the Congress.

These factors combined with the loss of some Democratic congressional leaders described above also caused some moderate Democrats to bail. At that time, several states that now send mainly Republicans to Congress had Democratic Senators and House members. I remember sitting with Democratic Senators from North Dakota, South Dakota, Nebraska, Montana, Oklahoma, Georgia, and Alabama telling me that the President's popularity in those states was now at 30 to 35 percent and that the President's health plan had diminished in popularity to similar levels as a result. Some felt that they needed to distance themselves from the President and the plan for their own political survival.

Starting in the spring of 2004, health reform was a "dead man walking." People went through the motions because nobody wanted to take the blame for "killing" health reform, but efforts by different groups that claimed to be trying to find a new bipartisan bill that could pass were never going to succeed. They made a good story for moderates to tell Broder and Johnson, but they were never serious. The White House privately supported John Breaux and other Democrats trying to forge a bill, but every time we and the congressional Democrats who were part of the group agreed to a compromise proposed by the Republicans, the Republicans would back off from it.

John Chafee, who was part of this bipartisan process, had confidentially told me when it started that there would not be a bill, and he was right. He said that the Republican leadership had told

him that if he wanted to be lead Republican on environmental issues when the Republicans retook the Senate, he could vote for the crime bill, but he could not support any health bill.

It was not policy disagreements or budget problems that ultimately “killed” health reform. It was the complexity of the interest-group landscape; the delays, some of which we inflicted on ourselves; and ultimately some unforeseen external events that those of us working on health reform could not control: the travel office problem, the delay in the passage of the economic package, Somalia, NAFTA, Whitewater, the Rostenkowski indictment, the Mitchell resignation, and so forth.