

Congress and Healthcare Reform: Divisions and Alliances

BY JANE H. WHITE

In his State of the Union address on January 25, 1994, President Bill Clinton told Congress, "If you send me legislation that does not guarantee every American private health insurance that can never be taken away, you will force me to take this pen, veto the legislation, and we'll come right back here and start all over again." Thus for the first time the president threatened to use his veto power for an issue that may make or break his presidency—healthcare reform that guarantees universal coverage to all Americans.

This speech represents a turning point in the healthcare reform debate and for the president. It came at a time when observers were saying that healthcare reform was losing momentum and were criticizing the president for not giving the issue the attention it needed. While the president did cover a lot of agenda items in his State of the Union address, including welfare, violence, and education, the largest segment of the speech renewed his focus on healthcare reform. Clinton showed Congress clearly where he stands and what he wants them to achieve on healthcare.

HEALTHCARE CRISIS

In his speech, Clinton turned up the pressure on Congress to take healthcare reform seriously. He warned them that their constituents *do* believe there is a healthcare crisis, as he tried to defuse the strategy adopted by a segment of Republican party that says there is no crisis and by some Democrats such as Sen. Daniel Patrick Moynihan of New York, who want to put other domestic agenda actions such as welfare reform before healthcare reform. Clinton said:

I know there are people here who say there's no health care crisis. . . . There are some people who literally do not understand the impact of this problem on people's lives, but all you have to do is go out and listen to them. . . . It doesn't have a lick to do with party. They think we don't



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get it, and it's time we show that we do get it.

Senate Minority Leader Robert J. Dole, R-KS, reiterated the no-healthcare-crisis theme in the official Republican response to the State of the Union: "Our country has healthcare problems, but no healthcare crisis. But we will have a crisis if we take the president's medicine—a massive overdose of government control." A number of Republicans, such as Rep. Newt Gingrich, R-GA, and Sen. John Chafee, R-RI, have expressed concern with this strategy to waylay the president's healthcare reform plan. The fear is that it may backfire on Republicans if the American electorate believes Republicans "don't get it."

In the 1992 election George Bush received only 38 percent of the vote, showing that something was missing from the Republican message. "I think that *something* was healthcare reform," said Catholic Health Association (CHA) Vice President for Government Services William J. Cox in a conversation. He suggested that the "no-crisis strategy is guaranteed to keep them in minority status." Cox did add, "There's no question it can cause all kinds of problems for Clinton, however." If the Republicans in Congress focus prominently on their "no-crisis" stance and keep emphasizing it repeatedly, they may ultimately succeed in blocking the kind of comprehensive healthcare reform Clinton wants. "But I'm not sure this would be a victory for the Republican party" in the long run with the electorate, said Cox. CHA clearly supports the need for comprehensive reform that provides universal healthcare coverage; its own proposal for systemic healthcare reform calls for many of the same features found in the president's proposal.

The American Hospital Association (AHA) also agrees with Clinton on the serious need for comprehensive healthcare reform. AHA President Richard J. Davidson, in a statement responding to the president's State of the Union address, said, "America does indeed have a health

care crisis. Those who say we don't should spend an hour or two in a hospital emergency room."

LOOKING TO CONGRESS

After Clinton used the State of the Union "bully pulpit" to reinvigorate the healthcare reform debate, attention now shifts from the president and his agenda to the deliberations in Congress. The president expressed willingness to negotiate on many of the features of his reform proposal, so long as universal coverage is guaranteed.

First Lady Hillary Rodham Clinton, who chaired the president's task force on healthcare reform, reinforced this stance in her introduction to a special issue of *Health Affairs*, released at the end of January 1994: "We will not settle for tinkering, only true health reform. Congress will certainly work out the details of any final reform, but, with many different approaches before Congress today, we must insist that any reform guarantee to every American comprehensive benefits that are spelled out in law and can never be taken away."¹

A look at the different healthcare reform approaches proposed by members of Congress clarifies the lines of division and the points of negotiation that will be central to the debate (see the **Table** on pp. 8-9). Clearly, Congress will not pass the president's plan in its original form. The key question is: What alliances will be formed, and what approach will Congress take as it tackles this tough issue?

Both Democrats and Republicans are divided into several camps. The outcome of healthcare reform will critically depend on which camp emerges as the power broker with the White House in this debate. These divisions and alliances and the approaches they represent are loosely summarized as follows.

Democratic Leaders A portion of Democratic leaders are behind the president's plan. The Health Security Act was sponsored in the Senate by Majority Leader George Mitchell of Maine (S 1757), and in the House by Majority Leader Richard Gephardt of Missouri (HR 3600). As of late December 1993, 100 members in the House and 31 members in the Senate had signed on to the Health Security Act bills. For passage of his plan and to avoid a filibuster, the President needs 218 votes in the House and 60 in the Senate.

To reach his goals on healthcare reform, Clinton will need to rely heavily on the support of key Democratic committee chairpersons. At the moment, several large question marks loom in

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this area. For instance, Rep. Dan Rostenkowski, D-IL, the powerful chairperson of the Ways and Means Committee, is eager to support the president and especially Mrs. Clinton, who is from his home state. Yet the very real threat of being indicted for his financial conduct raises a cloud over how long he will be a power player in the debate.

Then there's Moynihan, the powerful chairperson of the Senate Finance Committee. His support and the approval of his committee will be critical for the tough road to passage in the Senate. Yet privately a number of congressional staff characterize Moynihan as "a loose cannon" on the issue of healthcare reform. He has spoken out on several occasions in ways that give the White House fits, such as calling the president's cost estimates "fantasy" and saying Congress should work on welfare reform before healthcare reform, since there is no longer a healthcare "crisis." Welfare has long been Moynihan's priority.

Single-Payer Democrats To the left of the president's plan is the single-payer, Canadian-style healthcare proposal that has the support of 92 members in the House and 5 in the Senate. This plan, the American Health Security Act of 1993, is sponsored by Rep. Jim McDermott, D-WA, and Sen. Paul Wellstone, D-MN (HR 1200 and S 491, respectively).

In a nutshell, this plan proposes universal, mandatory coverage of all Americans by 1995 through federally sponsored, state-administered health insurance.² The comprehensive benefits package is explicitly defined to include primary, acute, and long-term care coverage, with no cost sharing. Medicare and Medicaid would be folded into the new system. The system would be financed via a payroll tax of about 7.9 percent on employers, 2 percent on employees, tobacco tax, consolidation of federal health expenditures, and state contributions and premiums for long-term care. Global healthcare budgets set annually by government and negotiated provider fees would be key cost containment tools.

Although the president's plan does not go as far toward government involvement in healthcare as some of these single-payer proponents wish, many were pleased that the president has come out so strongly for universal coverage. It will be critical for the president to retain this group's support for passage in the House, where the liberal faction is the strongest. This group is concerned that the president's partial reliance on market forces to lower healthcare costs will not

work and that the plan's financing is inadequate.

Conservative Democrats and Moderate Republicans A group of conservative Democrats and moderate Republicans supports the Managed Competition Act of 1993 (HR 3222, S 1579). This legislation was originally put forward by the Conservative Democratic Forum, which boasts 60-plus members. Bill cosponsors are Rep. Jim Cooper, D-TN, and Rep. Fred Grandy, R-IA, in the House and Sen. John Breaux, D-LA, and Sen. Dave Durenberger, R-MN, in the Senate, giving this legislation bipartisan clout. The House version is supported by 31 Democrats and 26 Republicans.

Cooper is the member of Congress whose name is most closely linked to this bill. A relative newcomer to health policymaking, this 39-year-old junior member of Congress is not the chairperson on any subcommittees, yet has become a major power broker in the health reform debate. Cooper is running for the Tennessee Senate seat vacated by Vice President Al Gore. His cosponsor, Grandy, another newcomer, is widely praised by Capitol Hill staff for his intellectual ability to pick up the nuances of health policy.

The Cooper-Grandy legislation closely models the managed competition plan espoused by the Jackson Hole Group. It differs from the Clinton plan in several key ways. First, it does not mandate universal coverage but rather establishes a voluntary system of health alliances to improve the access to healthcare for the small business employee and individuals in particular. Only employers with 100 or fewer workers are required to provide insurance through the alliance. To control costs, the plan relies more on competition and insurance market reform than on price controls, and employers' tax deductions for health insurance premiums would be capped at the level of the lowest-cost insurance plan in the region.

While both the president's proposal and the Cooper-Grandy proposal build on the managed competition model, their fundamental differences must be negotiated if the president hopes to attract support from this bipartisan, centrist group in Congress. Clinton has clearly stated that improving access is not enough; healthcare coverage must be universal. Yet the Cooper-Grandy group is not comfortable with President Clinton's mandate on employers, much larger mandatory alliances, and premium limits.

Moderate Senate Republicans In the Senate, a group of moderate Republicans supports the goal of universal coverage in healthcare reform. This group

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is led by Chafee, who has sponsored the Health Equity and Access Reform Today Act of 1993 (S 1700). This bill's goal is universal mandatory healthcare coverage by 2005, rather than the 1998 date set by the president. The longer time frame for this goal is to alleviate concerns about how much healthcare reform will cost the federal government. Although universal coverage is definitely the goal, the bill aims to "spend-as-you-save" with a long phase-in period.

This legislation is actually closer on the political spectrum to the president's plan than the Cooper-Grandy bill. To achieve universal coverage, the Chafee bill places a mandate on the individual rather than the employer. Health insurance purchasing cooperatives would help small employers, uncovered workers, and the unemployed get better prices for their insurance; the federal and state governments would provide subsidies for low-income persons not on Medicaid.

Another difference is that the Chafee bill does not include a global budget. Instead, costs are controlled through increased insurance market competition and limits on the tax deductibility of insurance. Chafee's bill is supported by 20 senators.

The support of the moderate Senate Republicans will be critical to reach the 60 votes needed for passage of any filibuster-proof legislation in the Senate. Thus this group's concerns about employer mandates, timing, and budget limits will be key points of negotiation.

House Republican Leaders To the right of the moderate Republicans are the House Republican leaders, who favor more incremental changes in healthcare. Their views are represented by the Affordable Health Care Now Act of 1993, sponsored by House Minority Leader Rep. Bob Michel of Illinois (HR 3080) and Sen. Trent Lott of Mississippi (S 1533). Support for this legislation numbers 139 members in the House and 10 in the Senate.

The goal of this legislation is to improve access to healthcare by requiring employers to offer (but not necessarily pay for) health insurance. The bill also includes insurance reform, administrative simplification, malpractice reforms, more flexibility for states in the Medicaid program, and other incremental reforms.

Conservative Republicans This final group of Republicans favor individual vouchers for health insurance or tax deductions for medical spending accounts. From 25 to 30 senators and about 25

representatives are in this group, according to former Bush administration Domestic Policy Advisor Gail Wilensky. The view of this group is represented for the most part by the Consumer Choice Health Security Act of 1993 (HR 3698 and S 1743), sponsored by Rep. Cliff Stearns of Florida and Sen. Don Nickles of Oklahoma. This legislation is supported by 18 in the House and 25 in the Senate and draws on the Heritage Foundation's healthcare reform plan. In this plan, the onus is on the individual to procure private health insurance.

Dole, in his response to the State of the Union, touted aspects of both the Michel bill and the more conservative Stearns-Nickles bill. A longtime player in health policy matters, Dole's response struck a more conservative tone on healthcare reform than he has taken in the past. A number of observers say this was to build his support among the conservative wing of the Republican party for a presidential bid in 1996. Whether Dole maintains this more conservative stance of supporting only incremental healthcare reform will be key to watch as the debate unfolds in Congress.

POINTS OF NEGOTIATION

As these various alliances within Congress strive to forge healthcare reform legislation that is passable, several key points of negotiation emerge. First is universal coverage. Although the president has sent out his veto alert on this point, it still remains a big stumbling block for many groups in Congress. If Congress does get past this, then the question is how to reach universal coverage—by employer or individual mandate or some combination of the two.

A second point of negotiation is on the health alliances. Clinton wants to require companies with up to 5,000 employees to purchase insurance through the alliance. Others in Congress set the line at 100. Will the alliances be voluntary or mandatory?

A third point is the use of spending limits and premium caps in Clinton's plan to control costs. For many Republicans and conservative Democrats this is the most serious issue. Wilensky explains the dilemma surrounding this issue:

There are only two ways to get spending right: rely on spending limits and price controls (in this case, premium caps) or rely on market forces. The administration's

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dilemma reflects the split in the Democratic party. . . . This has led the administration to attempt to keep a foot in both camps. However, the political right recognizes premium caps and spending limits as the regulatory mechanisms they are.³

Other points of negotiation will include the level of spending cuts in Medicare and Medicaid to finance reform, how comprehensive to make the benefit package, and whether to include the early retiree healthcare subsidy set out in the Clinton plan. Lastly the timing of reform will be debated. A longer phase-in for reaching universal coverage, such as in the Chafee bill, may be proposed.

Reaching agreement on all of this will take time and tough bargaining. President Clinton and many members of Congress are hoping for passage before the end of 1994 so that they can tell their constituents they were able to break gridlock in Washington and pass a major piece of social policy legislation.

Yet the president's line in the sand on universal coverage may stall this. A number of Washington observers are pointing to spring 1994 as a time by which Congress needs to be moving toward consensus if it hopes to pass legislation by the end of 1994. If deep divisions still exist, some predict that stalemate may result. These next few months will thus prove critical to the future of the nation's healthcare. □

NOTES

1. Hillary Rodham Clinton, "Meaningful Health Reform: The Time Is Now," *Health Affairs*, Spring 1994, pp. 7-8.
2. The summary descriptions in this column of the various plans in Congress are drawn from a variety of sources. Particularly comprehensive is: Kaiser Commission on the Future of Medicaid, "Summary of Major Health Care Reform Legislation (as of December 22, 1993)," prepared for the Kaiser Health Reform Project, Washington, DC, January 1994. This report will be updated periodically. For more information contact Diane Rowland or Peter Long at 202-347-5270. Other sources include: "Key Provisions of the Major Health Care Bills," *Washington Post*, Health Section, November 2, 1993, p. 23; Marilyn Moon, "Examining the Impact of Health Care Reform Proposals," prepared for the Henry J. Kaiser Family Foundation, Menlo Park, CA, October 1993; and Alliance for Health Reform, "Health Care Reform Proposals: Brief Summaries of Selected Plans," Washington, DC, October 22, 1993.
3. Gail R. Wilensky, "Health Reform: What Will It Take to Pass?" *Health Affairs*, Spring 1994, pp. 179-191.