

on limited profit margins. Of course we can. Can we do it and be fair? If everybody does it so no competitor has an advantage, yes, we can.

Will we continue to be the only country in the world that shovels more of our health care dollars into paperwork and less into health care? Will we continue to be the only advanced country that has another 100,000 Americans a month lose their health insurance? Will we continue to discriminate against small business people and self-employed people and let them pay 35 to 40 percent more? Will we continue to have a situation where rural folks don't have access to doctors? I don't think so.

I believe we can do better. I think you think we can do better. And if we cool the rhetoric

and talk about the facts and have practical and compassionate approaches to this, we will solve this problem. I'm here in Kansas to try to do it today.

Thank you, and God bless you all.

NOTE: The President spoke at 12:35 p.m. at the Kansas Air National Guard ramp. In his remarks, he referred to Maj. Gen. James F. Rueger, Adjutant General of Kansas; Col. Dewayne Ellinson, Commander, 190th Air Refueling Group, Kansas Air National Guard; Robert T. Stephen, Kansas attorney general; Sally Thompson, State treasurer; Mayor Henry Felker of Topeka; and Dennis M. Langley, Kansas Democratic Party chairman.

## Remarks in a Health Care Roundtable in Topeka

*April 7, 1994*

*The President.* First, thank you, Congressman Slattery, for hosting us. Congressman Glickman, thank you for coming. Governor Finney, it's always good to be with you. I see former Governor Carlin out there; thank you for coming. Most of all, thank you to the small business people who are here on this panel.

I'd like to spend most of my time listening to these folks talk here and dealing with how their specific circumstances would be affected by health care reform, if we can pass it. But let me try to set the stage, if I might, for how we came to this place and how I came to spend the amount of time that I have, that my wife has, that our administration has, working on this health care issue.

Before I became President, as I think all of you know, I was the Governor of your neighboring State of Arkansas for a dozen years. I grew up in a family with a mother who was a nurse anesthetist. I grew up hanging around hospitals, talking to doctors and nurses all my life, having a passionate interest in health care from the point of health care providers. As a Governor, I was forced to deal with the problem of health care from the point of view of people who are paying for it.

First of all, in State Government, we had huge burdens under the Medicaid program,

which is a shared program for paying for health care for poor people paid for by the Federal and the State Government. And secondly, my job was to try to increase the economic base of my State, both small and large businesses. And I watched medical inflation driving up medical costs rapidly.

I spent in 1990 an enormous amount of time as a Governor, long before I ever dreamed I'd run for President, talking to literally almost 1,000 health care providers personally in my State and hundreds of business people about the problems in the health care system and what could be done about it. Without going into a great deal of detail, let me say I reached the conclusion that we could not solve this problem as long as we continued to be the only advanced economy in the entire world that could not figure out how to provide basic health care coverage to all of our citizens. Every country with which we compete has figured this out, and we haven't.

Now, we have the best doctors, the best nurses, the best health care providers, the best medical research, the best medical technology in the world. We also have, by far, the most bureaucratic and administratively costly health care system in the world. There's more paperwork in our system today, and it costs more

to administer this system, by far, than any other system in the world. We also discriminate against small business people, farmers, and self-employed people in the provision of health insurance; they tend to pay more.

We discriminate also against people based on their age or whether anybody in their family has ever been sick or not. We also, in a funny way—Jim Slattery alluded to this—we actually discourage people from leaving welfare for minimum-wage jobs because if you stay on welfare, you're covered by Medicaid, the Government program for poor people. If you take a minimum-wage job without health insurance, you're going to lower your income and put your children at risk because you lose your health insurance by going to work. Instead, you start paying taxes to pay for the health insurance of the people who didn't go to work.

These are things that are present in our system that you don't find in other systems. In addition, a lot of people who pay health insurance just pay too much. This plant here, for example, where we are, as is my understanding, has offered health insurance to its employees since its beginning; with the price of health care going up has had to ask the employees to share the costs. I do not know what they pay, and I have not even discussed it with our host. But I'll bet you anything that on average, they pay more than they fairly could because here's what happens: The people who don't have any health care coverage in this country, if they get sick, will eventually get health care. But they tend to get it when it's too late and too expensive. They show up at the emergency room, and the hospital does one of two things. They either pass the cost along to all the rest of us who have insurance, and we pay it in higher rates, or they eat it, and they get in more trouble.

I was in a rural hospital in North Carolina a couple of days ago with Mr. Bowles, who is from North Carolina, as you can see, and the hospital folks there told me one-half of all their emergency room bills were from people who had no health insurance who just waited until they got real sick and showed up at the door, couldn't pay. And they were either going to reduce the quality of care at the hospital or pass the cost along to everybody else in the area who had health insurance.

So, is this a national problem? Yes, it is. At any given time in America, 39 million Americans don't have health insurance. During any given

year, 58 million Americans will be without health insurance at some time during the year, out of a total population of 255 million. Eighty-one million of us, more than one in four, live in families where somebody has had a pre-existing condition: a child with diabetes, a father with a heart attack, a mother who's had cancer. And we either pay higher rates or we can't get health insurance, or we've got a job with health insurance but we can never change jobs, because if we change jobs, nobody will insure us because someone in our family has been sick. One hundred and thirty-three million of us, a majority, are insured with lifetime limits. So if, God forbid, we should have a child with a pronounced and prolonged chronic problem, we could run out of health care coverage just when we need it most. None of these conditions exist in the countries with which we are competing for the economic opportunities of the 21st century. Only the United States has somehow not been able to figure out how to provide health care security to all of its people.

Now, if we want to do that, we have some options. But none of them are simple or easy. If this were simple or easy, somebody would have done it already. What are our options to cover all Americans, to stop the cost-shifting, to allow small business people and self-employed people and farmers to buy insurance on terms that are comparable to what those of us in government or big business can get, and to stop discrimination against people who have had somebody in their family that's sick or who are older workers? What are our options?

I would argue that we only have three. We can do what some other countries like Canada do; we could have a Government-run system. We could have private doctors and hospitals, but we could abolish insurance and substitute a tax and just pay for health care. The only part of our system today that's like that is Medicare and Medicaid for poor people. But the elderly program for Medicare is the thing that's most like that here. That's the way everybody gets their health care paid in Canada.

We could, instead of that, just build on the system we've got, keep a private system with private insurance, private health care providers but organize it in a way that bad insurance practices would be abolished and that small business people and self-employed people could get a break by being in buying pools that would enable them, kind of like a farmer's co-op, to

buy on better terms. Or we could say, it's too hard, somebody will be discomforted by this, and we're not going to do anything. Now, that's an option. But that option means—I just want you to know what that option means.

If we do nothing, if we don't go to universal coverage, the following things will happen: More Americans will continue to lose their health insurance; medical inflation will continue to make less and less coverage available, especially to small business. And I want you to know what's going to happen to your Government, at a time when we need more money to invest in education, training, new technologies, and the jobs of the future. The budget I asked Congress to adopt this year cuts defense and, for the first time since 1969, cuts discretionary domestic spending. And the only thing that goes up is Social Security by the cost of living and health care costs by 2 and 3 times the rate of inflation. Pretty soon, you're going to be paying all your money to the Federal Government to pay interest on the debt and more money for the same health care because we are cutting defense, we are cutting investments in discretionary domestic areas.

So I would argue that doing nothing is not an attractive option. I would argue that we shouldn't have a Government insurance system when we have a private insurance system now that is working pretty well for people who can take the maximum advantage of it. That's why I argue that what we ought to have is guaranteed private insurance for all Americans. Eighty percent of the people without health insurance in this country live and work in families. Ninety percent of the people who have health insurance, private health insurance, get it through their place of work. So the question is, should there be some system through which the people who don't have health insurance now or who have very minimal health insurance that doesn't amount to anything get an adequate insurance package through their place of work? I think the answer to that is yes, and that's why I'm out pushing this program.

So let me just say, my program rests on five principles: Guarantee private insurance. Give the people who are insured, that is, the families who are insured, a choice, and give it to them every year, not just once but every year, of how they get their health care, either through fee-for-service medicine, just picking their doctor and paying; through a health maintenance

organization; or through some other way of getting it. But we guarantee three choices to everybody every year. We would outlaw unfair insurance practices. I've already mentioned them, cutting people off because they've had somebody in their family sick, for example. We would protect the Medicare program for elderly people and not fold it in, because it works and most senior citizens like it. And we would do this—we would guarantee private insurance by using the workplace, because that's where most people get their insurance now, by requiring employers and employees to contribute to health insurance.

Now, would that mean that some people would pay more than they do now? Yes, it would. It would mean that people that don't pay anything, for example, would have to pay more. But keep in mind, all those folks are benefited by the present system we have. It's just like the roads you drive on. We all benefit from the hospitals, from the medical research, from the doctors, from the nurses, from the work done at the Kansas Medical School. We all benefit from it. And when we get sick, we're going to take advantage of it whether we can pay for it or not. But if you want to stop cost-shifting and allow small business people and self-employed people to buy on competitive terms, you have to find a way to make sure everybody's covered from the beginning and everyone has some responsibility for what they do.

Our figures—we'll talk more about it with each of these examples here—show that over half the American people would pay the same or less money for the same or better insurance if our plan passed just as it is without any modification, because so many people in the small business sector are paying exorbitant rates for limited health insurance.

We do a lot of things to help small business. We already increased the expensing provision, as Erskine Bowles said, from \$10,000 to \$17,500 a year on the income tax. For people who are self-employed, we extend the deduction, which is now only 25 percent for self-employed people, totally unfair for medical premiums, to 100 percent. These things will help to alleviate it. Furthermore, there are discounts for businesses that are quite small with limited profit margins and low average wages to try to keep the cost down. So we'll talk about all that by going through some of these specific examples that are here now.

The main thing I want to say is, we can discuss the details of this plan and whether you think all the details are right. But I do want to make it clear that if you say there should be no mandate and we shouldn't abolish private health insurance and replace it with a tax the way Medicare's funded, then we're arguing for continuation of the present system, never getting to the point where we cover everybody, having the most administratively expensive system in the entire world, more money on paperwork, less money on health care, and having this problem get worse. There are no simple, easy answers. We have to try to take the best answer for America.

So having said that, let me start and ask—I don't know that it matters where I start, but I'll start with David Porterfield, who owns a flower shop in Topeka. Where are you, David? Tell us what your situation is, how many employees do you have, and what's your situation. [David Porterfield said that he once provided health insurance for his small staff, but due to high medical costs for one employee, the rates tripled. He explained that in his efforts to find another insurance company, he learned that many insurance companies "red lined" florist businesses and would no longer provide policies due to the incidence of AIDS in the florist industry.]

*The President.* I'd like to make an observation about this, if I might, because you see this quite a lot. Both cases—you have someone who has got a serious health problem, a diabetes problem, with a small business, it blows your rates up, and you can't afford to keep your coverage; or a certain industry gets red lined, a certain business. If you look at it today from the point of view of the person in the insurance business, trying to be responsive and trying to still make a profit in the American free enterprise system, if you insure people and they're in fairly small pools, and one person has a huge medical bill, that can wipe out the whole profit in the insurance policy in the small pool. If you have one or two AIDS patients in a small pool, the same thing can happen.

Now, the reason that I think that what we're trying to do is so important to small business people is this: What we're trying to do is to create the conditions that existed in the beginning. When health insurance first started, when Blue Cross first got started, insurance was just

what you would normally think. All of us were put in a big pool and paid roughly the same rates, and it was for the people that got sick. And we all bought insurance against getting sick, in the same way you buy insurance for life insurance. And the premiums are set based on the probabilities, but everybody is sort of treated the same at a certain point in time. Well, what's happened now is, we're the only country in the world with 1,500 separate companies, writing literally thousands and thousands of different policies, so that people are in smaller and smaller pools. And sometimes the administrative cost and the profit margin against the premium is enormous.

What we need to do is to go back to community rating where you would be put into a very large pool, so if you had one patient, one employee, who turned out to be a diabetic, that problem would be spread over a very large number of people. And the insurance business would, in effect, have to make money the way grocery stores do, a little bit of money on a lot of people, instead of a sizable amount of money on a few people where you can't afford the risk of having even one person who's real sick or the policy becomes unprofitable.

This is key. We cannot do this and be fair to small business and really do it unless we can go to community rating and all of us can share these risks. I think it's very important.

I'd like to go to David Hoffman, if I might, now to make the point in another way with somebody who's kept insurance and had to pay an enormous premium for it or at least did until recently. Would you talk, David, about your experience?

[David Hoffman explained that as the employees of his architecture firm aged and needed more medical attention, his insurance premiums increased by 35 percent, to 12 percent of payroll for the firm's share of the cost.]

*The President.* Let me try to make an observation here about these two cases. Under the plan that we propose, no one could pay more than 7.9 percent of payroll, no employer, for the health insurance premiums. So in the case of the architectural firm, David's firm, they would actually pay less, considerably less than they're paying now. Why would they be able to pay less? Well, because they would be, again, in a big pool where they'd have more bargaining

power and it would be more economical to insure them.

Now, in the case of the florist shop, they would obviously pay more since they can't get insurance now. But because it's a smaller business, they would be eligible for a bigger discount. And for somewhere in the range of, let's say, 6 percent of payroll, they'd be able to get a comprehensive benefit package, and no one would get cut off.

Again, it all goes back to the economics of scale. Now, the problem is that some people will say—and we'll explore this because we're going to come to some harder cases as we go around the table—some people will say, "Well, that's fine, Mr. President, but I can't afford 4 percent of payroll. My payroll is 50 percent of my cost of doing business, so 4 percent of payroll adds 2 percent to the cost of doing business. And I can't add 2 percent of the cost of doing business; my profit margin is less than that." Some people say that.

Now, what we have to do is to—we need to kind of work through that. And that's one reason I asked Erskine Bowles to be head of the Small Business Administration, because he spent 20 years starting small businesses instead of in politics or doing something else, to try to work through these things.

There's no question that the ability to bear this cost is greater if all your competitors have to do it as well. And that's one point that David Hoffman made, I thought, very eloquently. I was in a—we have someone here who's in the food service business—I know I was in a restaurant in Columbus, Ohio, with a woman who had 20 employees full-time and 20 part-time and had had cancer. And she insured the full-time employees, she didn't insure the part-time employees, and she paid high rates because she had cancer 5 years ago. And she said, "I'm in the worst of all worlds; I insure my full-time employees because I feel that I should; but my competitors don't, so they have an advantage over me. And I feel guilty that I don't help my part-time employees." And she paid very high rates because one person—it happened to be the owner there—paid for her previous illness.

So again, this whole thing will only work if everyone contributes. But as a result of contributing, you get to be in big buying pools, so at least your rates are manageable. In your case, I just don't think anybody should be paying 12.5

percent of payroll for a reasonable health insurance policy. We know that the economics of the competition—we've had it analyzed by too many people—will permit us to have a ceiling of about 7.9 percent of payroll. And you might actually qualify for a modest, but not a great, discount there because your employees make a good living.

I'd like to go on now to Sheryl Wohlford, who is from Wichita, and have her talk a little bit about her situation because it's slightly different. And it will get more complicated as we go around the table to show some of the problems we've got with this.

Sheryl.

[*Sheryl Wohlford expressed concern that her insurance premium costs of 5.5 percent of payroll, to cover the majority of her employees, would rise even more under the President's plan. Representative Jim Slattery asked if she had discussed her projected cost increase with her insurance agent, and she said she had not. Small Business Administrator Erskine Bowles then stated that small businesses would get better coverage at better rates under the new plan.*]

*The President.* Sheryl asked two questions. I think we ought to try to deal with them as forthrightly as possible. The first question is, okay, if I have to go from 5.5 to 7.9, how do I know it's going to stay at 7.9? I mean, that may be the most important question of all. And the answer to that question is—I mean, I can only tell you where I'm coming from on this—is that we looked at what the average employer contribution was for a good health care plan that included primary and preventive benefits—because one of the ways you get health care costs down is to emphasize primary and preventive benefits; nearly any physician will tell you that—and it was about 8 percent. So we decided to go with 7.9 percent. And from my point of view, if we can't manage at that, we'll have to find some other way of dealing with it, not raising the payroll cost. I just don't think we can. The whole idea is to try to get health care costs as close to the rate of inflation plus population growth as possible.

The second issue is what about people who—if you go back to Sheryl's situation, she went from 5.5 percent, let's say, to 7.9 percent of payroll. You should know that we provide discounts for small businesses if they have fewer than 70 to 75 employees, and if the average

annual wage is \$24,000 a year or less. Is that right, Erskine?

So if you go over either one of those, then the discount system goes away. But the main reason for the difference—and I haven't looked at the health care package—is that she's on a 50–50 cost share. And the reason we went to an 80–20 is that that was the average cost share of employers and employees in the private sector insured now. But I'll bet you that the package will be better, too, as a result of that, because again of the bulk buying plan. So even she would benefit from that.

But we've got to be up front about this. Not everybody pays less. Some people pay more, and that's part of the assessment you have to calculate. But I do think you can rely on the 7.9 percent. I do not believe the Congress would enact a program and I do not believe that I would support it unless we could do that.

And let me also say, we had lots and lots of insurance actuaries and others look at this for a year and constantly labor over the costs. So we would not knowingly do anything that would run the cost up. And I will say that, as Erskine was reminding me earlier, our ability to predict these costs now is far better than it used to be. We've been pretty good about predicting what's going to happen to our medical costs for the last few years. And I think that ability is pretty well intact.

Let's go on now to James Heiman, who's in, again, in a different situation. And I'd like for him to talk about his businesses and what he does about it and how he thinks he'd be affected by this.

*[James Heiman stated that his cost to provide health insurance for all the employees in his agriculture-related companies increased by 2 to 3 percent overnight due to an employee's health problems and his own. While he found a more affordable policy, he expressed concern that the President's plan would be able to hold administrative costs down.]*

*The President.* I think there's a lot of well-founded skepticism about the ability of the Government to fix anything; I understand that. And that's one of the reasons that I did not want us to get into a situation like the Canadian health care system, which a lot of people I respect favor, which is inexpensive administratively but has huge cost problems because it's all Government financed. If you save the private insur-

ance system, and you keep the employers and the employees directly involved in trying to manage their costs, then our view is that we'll have much better luck in trying to control the costs in the future.

But under your situation, you would plainly pay considerably less because you would not only have a maximum of 7.9 percent, but with about 60 employees—I understand that's about how many you have—you would qualify for some kind of discount there, which I think would be important.

And let me explain why the administrative costs would go down. Presently, if you have 1,500 separate companies writing thousands of different policies and you overlay on that the Government's program of Medicare and Medicaid, every doctor's office and hospital in America has to hire a huge number of people to figure out what is and isn't covered under every policy. Every insurance company in the country has to hire a huge number of people to figure out what is and isn't covered. So instead of facilitating the payment of health care bills for people who have paid their insurance, you literally have an untold number of people in the doctor's offices and the hospitals and the insurance company figuring out what is and isn't covered. And the burden of that is staggering.

I visited the Children's Hospital in Washington the other day, and they estimated that they could have another 100,000 children's visits a year if the doctors and the nurses had a single form with a single benefit package as opposed to what they've got now. It was a staggering encounter. And I would urge any of you—I don't know if there are any doctors and nurses in the audience, but I've got a friend at home, I mean in Washington, who grew up with me, who just had to hire—there's two doctors in his office, and they have a lot of clerical workers. Now they've had to hire a third person—or a fourth person to do nothing but just telephone insurance companies all day trying to get payments as they struggle to find out what is and isn't covered. And that's why we can simplify this.

And a lot of people say, well, if you put small businesses in these big alliances and buying pools, that's going to be a huge government bureaucracy. Let me just give you one concrete example, because in order to give you good rates, you have to be in a big buying pool; that's what we talked about for the florist shop

or the architects or anybody else. The State of California just set up a small business buying pool, put 40,000 businesses and their employees in it. They hired only 13 people to operate it, and the insurance premiums for the people in the pool all went down this year instead of up. And Florida is starting it and having the same experience.

So the question on these alliances is, how do you have enough cooperative buying power, just like the old-fashioned farmers co-ops which you have in Kansas and Arkansas, to give the small business people the same sort of break that those of us in government and big businesses have.

Dan, were you going to say something? You look like you were about to.

*[Representative Dan Glickman asked if Ms. Wohlford paid for self or family coverage, and she responded that she paid 50 percent of either plan. He then suggested that under the President's plan, a majority of small businesses would have lower premium rates, even combining self and family coverage.]*

*The President.* That's correct for a couple of reasons. One is—and I don't think it applies, though. We've got to be careful; I don't want to overclaim. I don't think it applies to Sheryl. If you're incorporated, it wouldn't apply.

But, for example, we've got a lot of small business—and we're going to Regina in a minute; I think she'd be covered like this—we have a lot of small businesses where the small business, let's say, has four or five employees, and there's a family policy for the owner of the small business. And then they may or may not cover the individuals who work for them. The family policy alone is often so expensive and if it's under a self-employed provision, only 25 percent of it is deductible under the income tax code, that when you look at the 100 percent deductibility we would provide, plus the ability to buy more insurance at a lower cost, there are an awful lot of small businesses in this country who could insure their families and their employees and their families for less money than they're paying just for their family policy today. And a lot of farmers—there are a huge number of farmers that are in that situation just because their family policies are so high and because they don't have any access to these buying pools.

*[Administrator Bowles stressed large buying pools and simplification of the insurance system as ways to lower the cost of health care for small businesses.]*

*The President.* You don't feel strongly about that, do you? *[Laughter]* That was great. Thank you.

I'd like to now ask Gina Jaramillo to talk a little bit about a situation in her restaurant. And let me preface this by saying that one of the toughest issues that we face here is the restaurant business, because you have a lot of part-time employees; you have a lot of young, single employees who don't feel like they need health insurance and probably think they're going to live forever; you have a lot of businesses operating on relatively narrow profit margins. And it is an enormous part of our economy now; over 40 percent of the American food dollar is spent eating out. So this is a very big deal and probably in some ways the biggest sector of our economy with large numbers of workers without insurance. You also have lot of part-time employees and a lot of turnover. So I'd like to hear her talk a bit about that.

*[Regina Jaramillo explained that while she and her husband bought insurance for their own family after they gave up their former jobs to run the family restaurant, they could not afford to provide health insurance for their 12 employees, at a cost of more than 10 percent of payroll. She expressed hope that the President's plan would lower that cost.]*

*The President.* Let me ask you something. What percentage of your total cost of doing business do you estimate is in labor costs, what you pay your employees?

*Ms. Jaramillo.* My payroll? My payroll was at approximately—excuse me, I did write this down—\$86,000 a year that I pay in payroll.

*The President.* But of your total cost of operations, what would you say that is? Is that about half your total cost of operation, the rest is food and utilities and operation and maintenance—

*Ms. Jaramillo.* No, I'd say it's at least a third.

*The President.* About a third. So I just want to try to lay this out, because actually you are in—because your restaurant is small, we estimate that you would qualify for the maximum discount, and you could actually insure your employees for about what you're paying now for your family under our program, because you'd

go into a big buying pool and because you'd be eligible for a discount because you're a very small business. But it's not fair to say that all food service workers would be like you, all food service, because there are a lot of restaurants that have 100 employees or 150 employees, so they don't qualify for discounts. They would have to pay the 7.9 percent.

So in your case, if our plan were to pass, we think that there would be no increase for you or just absolutely minimum, because you would qualify for the small business discount to the maximum degree. But let's say you had a restaurant of 100 employees or 200 employees, some of them have 200 employees, with a lot of part-timers. You would only pay for the part-timers now while they were actually working. You'd have no responsibility when they don't work for you. At 7.9 percent—then the real cost, additional cost of doing business would be one-third of that because the payroll is a third of total cost or something less than 3 percent.

And that's what we have to figure out, to what extent could all restaurants pass that on if they were all in the same boat, if they were all treated the same way? Would we change our habits, our eating habits, if our food prices went up that much? Would more of us eat at home? I mean, these are the kinds of questions that it's hard to answer. But my instinct is that if all the competitors in this business were treated the same way, that most of us have ingrained habits of eating out because we have more and more families where both the man and the woman are working and working longer hours, and I think it's doubtful that habits would change within that range, where the maximum increase—if 100 percent of it were passed on to the customers, which it might not be—was still less than 3 percent. In Regina's case it wouldn't happen that way, but it would in a case of a cafeteria with 150 employees, if our plan passed just as it is, with the 80–20 match.

But for the smaller businesses, again I would say, families still have to pay too much for their health insurance if they have to buy them as individual families. So you would get a 100 percent deduction instead of a 25 percent deduction for the premium you pay, plus a discount. So you'd be able to insure your employees for about what you're paying now.

Let's go on to Alonzo Harrison, who runs a construction company, and let him talk about his situation, because this again is a, I think,

a pretty typical small business situation where he'd get some discount but would still have to pay more.

[Alonzo Harrison explained that he could not afford to provide health insurance for his employees but tried to help them find it at a reasonable cost. He discussed his medical expenses for an illness that occurred during a trip to Washington, DC.]

*The President.* You ought to try living there. [Laughter] Actually, it's not bad.

[Mr. Harrison then expressed his concern about costs as well as portable coverage for seasonal employees during the times they would not be working.]

*The President.* Our program, as proposed, would make health care entirely portable, including for part-time employees. And essentially what would happen is the employers and the employees would have the responsibility for paying while the employee was working for the employer—or seasonal workers. And then when you weren't working, then the Government would help to make sure that the plan is portable and people kept it year-round. It would be the same plan.

For part-time employees, as opposed to seasonal workers, the same thing would be true. It depends on how you define part-time, but if the worker worked more than 10 but less than 30 hours a week, the employer would have a responsibility to pay for some of the premium but not the full premium. You have to go over 30 hours a week before he'd have to pay for the full premium. And again, if there were differences, then the Government would help make up the difference there. So that the responsibility would be there, but it would be based on how much time the employee is actually working for the employer.

In your case, because you have a smaller business—except when you're hiring your seasonal employees full-time—you would qualify for a small business discount. Could you afford this if it was between 4 and 5 percent of payroll?

*Mr. Harrison.* We think so. But again, since we're not paying it now, it would be an extra cost. And since our profit margin still isn't where we'd like for it to be, that means we're going to have to do something as it relates to raising our prices; meaning then that, yes, we could

put that in a part of our budget, but then the cost is going to be in our bid.

*The President.* Would it help knowing that everybody that competed with you had to do the same thing?

*Mr. Harrison.* Absolutely.

*The President.* I mean, since at least in the contracting work you do, presumably the work has to be done. Somebody's got to have it done by someone.

[*Mr. Harrison explained that the cost of workman's compensation was one of his concerns because his business involved dangerous work.*]

*The President.* One of the things that we're working on doing—we haven't figured out how to solve it entirely yet, but I think would make a huge difference to small businesses, especially to people like you with big workers' comp bills, but a lot of businesses that aren't particularly dangerous have big workers' comp bills—is to try to figure out a way to take the health care portion of workers' comp and at least have some common administration of it so that you're not, in effect, paying twice for it. Because right now, as you know, workers' comp, it's a disability program, it's an unemployment program, and it's a health care program, all three. But if you have a health care system, we think we can figure out how to moderate a lot of the health care portion of workers' comp costs, which has accounted for approximately 50 percent of the rate increases in State after State in the last few years, in this health care thing. And that would also be a big boost to small business, because it's all part of the same cost of operations.

Jim? Anybody else have anything they want to say?

[*Representative Slattery stated that Congress would address the issues that the participants discussed including requiring everyone to contribute to the health care system so some businesses would not be paying more than others.*]

*The President.* I'd like to emphasize that for most of the last 20 years, big businesses have paid way more than their fair share of the health care, and the rest of us have sort of ridden along with them. I mean, you've got some companies paying 15, 16 percent of payroll for health care. In other words, they've paid more than the percentage of our total wealth we

spend on health care. And the rest of us have benefited from that.

Now, big businesses and governments are finding that they can get competitive arrangements and buy health care for less money or at least they don't have to go up as much as inflation anymore, which is going to put more and more pressure on small business; which is why we've got to find a way, unless we want more and more people to be without insurance altogether, why we've got to find a way to get everybody insured and then get them in these larger pools.

Let me just make one remark that I meant to say to our friend with the construction company. He said some of his best workers were over 60, including his father. Let me tell you, the fastest growing group of Americans are people over 65. More and more Americans are going to work well into their seventies. The average 18-year-old is going to change jobs eight times in a lifetime now. You have people in their late fifties and sixties losing their jobs because the defense business is cutting back. And there they are, 59 years old, some of them still with kids at home not even out of high school, having to find new jobs.

This health care issue is a big issue. And one of the things that I think is very important about community rating is that we not discriminate against people in their sixties who are otherwise healthy and able to be good workers. Because if you do that, you're going to make it harder for people to change jobs. And one of the reasons that America—believe it or not, with all of our economic problems, we have a lower unemployment rate than all of our major competitors except Japan. We're now creating more jobs than all of them. And one of the reasons is that people can move freely in and out of the job market. But it's going to be harder and harder and harder for older people unless we remove this discrimination against age.

So your company would be especially helped by that. In other words, you'd be able to buy insurance on much fairer rates if we said that vigorous working people in their sixties shouldn't be charged more than vigorous working people in their thirties. It would make a big difference. But again I will say, since the odds are still greater that a 60-year-old will get sick than that a 30-year-old will get sick, the only way the insurance industry can provide this health insurance and not go broke is if you have big pools

of people where the risk can be broadly spread. That's the only fair way to do it.

Dan, you want to say anything?

[Representative Glickman discussed the inclusion of workers' compensation in the health insurance plan and then questioned the average 80 percent employer share of the cost.]

*The President.* That includes all businesses all the way to the top. I do not know what the average is for people with 50 employees or 60 employees or less.

[Representative Glickman suggested that an 80 percent employer share might be too much for small businesses.]

*The President.* You're at 50-50; you're at 80-20. What were you when you had insurance?

Q. We were 50-50.

*The President.* In part of his business, you're at 100.

*Representative Glickman.* So, it's just a thought.

[Administrator Bowles stated that without universal coverage and participation in large buying pools, small businesses would continue to pay high costs for health care. Mr. Hoffman then asked about the problem of professional liability.]

*The President.* For doctors worried about being sued? You mean, physicians worried about being sued?

Q. Physicians, hospitals, yes, the whole group.

*The President.* We've proposed two things in our bill. First was limitation on the percentage of lawyers' fees in the contingency cases. The second is something that has actually worked to hold down medical costs where it's been tried, and that is to give different kinds of doctors the benefit of medical practice guidelines developed by their own professional associations nationally, that if the doctor can demonstrate that he or she followed these guidelines, that raises a presumption that the doctor was not negligent.

Now, this is a big deal in rural areas. This could be a big deal in rural Kansas, for example, where you've got a lot of general practitioners who are out in the country and somebody shows up with a broken arm or someone needs a baby delivered and a lot of doctors just won't do it anymore. They just won't do it. They won't even set simple fractures in some of the country

places in my State. They'll send them to the biggest medical center, where there's a specialist, where the cost is 5 times as great. And so what we've tried to do—the State of Maine had an experience with this, basically developing simple practice guidelines. It's funny, we do it with pilots all the time; every time one of us gets up in an airplane with somebody else, we expect the pilot to have the practice guidelines. That's what they are. And they are checked off.

And if we could give that to doctors and just not say that there could be no negligence but just say that that raises a presumption that the doctor did the right thing, we believe that would drive down malpractice rates considerably and let doctors free to practice medicine with common sense instead of just bending over backwards to order a lot of tests, for example, in cases oftentimes when they know they shouldn't do it but they're just guarding against a lawsuit.

[Mr. Porterfield asked about employer responsibility for coverage of various part-time employees under the new plan.]

*The President.* If the employee works less than 10 hours a week, the answer is no. Isn't that right, Erskine?

*Administrator Bowles.* Also, you're not responsible for covering anybody who works less than 10 hours a week. You're not responsible for covering anyone who is under the age of 18, period. And you're also not required to cover anyone who is under the age of 24 who is also a full-time student.

*The President.* And I believe, in addition to that—you've asked me a question slightly different from the way it's ever been asked me before. But I believe that all retiree health plans are left intact and that therefore you would not have the responsibility to pay for someone who is a retired worker with a retiree health plan from another company. I believe that is right.

If it's wrong, I'll get back to you and tell you. But I'm almost sure that's right because one of the things that we tried to do is to make sure that people like retired State employees and retired other people knew that they weren't going to have their benefits eroded if they happen to have a better plan than our minimum plan. So if they've got the kind of plan you say, my belief is that they would not be required to be covered.

Let me just say one thing in closing in response to what Jim Slattery said. The toughest

part of this is obviously the mandate, which is why we tried to work out a discount. The main thing I want you to know is I have no interest in the Government running the health care system of the country. I am trying to use the power of the Government to organize the market so that small business people and self-employed people can get access to good benefits and so that these kinds of discriminatory practices that insurance companies follow today will not have to be followed in order for people to make money in insurance.

And I believe you have to require everyone to be covered in order to stop the boat from leaking because there's always going to be people who will be dropping their folks even if others pick them up if we adopt these new changes. So it seems to me that that is something we just have to work through. That is the whole concept that has led some of the small business groups to oppose what we're doing. But I think it's also important that you understand that I will not sign a bill that does not have discounts for very small businesses with low payrolls and low profit margins. I won't do that.

I want a bill that preserves the private delivery system we have and that makes the competition that is working very well now for Federal employees and for large businesses available for

people in the small business sector. But I think that none of it will get done unless we can provide the security that every American will know there will always be some health care coverage there. That will also stop a lot of the unfair cost-shifting and permit people to compete on a more even basis. So that is what we are trying to achieve.

I hope that you will be supportive of all the Members of your congressional delegation without regard to party in trying to work through this with less rhetoric and more reality.

You know, I've tried to just get around here and listen to people's real life stories and try to work through the real life stories in a way that solves the problem and permits America to take advantage of what we have, which is the best medical delivery system in the country, and fix what we have, which is the worst financing system in the world. We've got the best medical care in the world, the worst financing system; we ought to be able to figure out how to do that. I think we can. And we have to do it in a way that permits small business to flourish because small business is the main generator of new jobs for the American economy.

Thank you very much.

NOTE: The President spoke at 2:03 p.m. at the Topeka Foundry and Ironworks Co.

## Remarks on Arrival in Kansas City, Missouri

*April 7, 1994*

Thank you very much, Governor Carnahan, Mayor and Mrs. Cleaver, Mr. Holden, Speaker Griffin, and all of you. Thank you for coming out today. I didn't know there would be such a good crowd here. I'd like to stay with you longer, but I'm afraid I'll be late to the meeting if I stay too long.

I do want to say a word or two if I might. First of all, I thank you for your sentiments, and I thank the Mayor and the Governor for what they said. I've had the opportunity to come to Missouri quite a lot since I've been President, mostly because of the terrible ravages of the floods that gripped your State. I'm proud of the work that we were able to do together and

proud of the response of my administration to the problems of people during that flood.

Frankly, the one thing that bothers me is that we can't have our National Government function all the time the way it did during that flood. Why does there have to be an emergency before people will stop using all the hot air and rhetoric that seems to grip Washington, put aside the special interests, talk to one another, ask what the problem is, and try to get it solved? I ran for President because that's what I wanted to do.

When I was the Governor of your neighboring State to the south, it never occurred to me that I could get by day-in and day-out just on hot air. It never occurred to me that the pur-