

HEALTH CARE POLITICS: BUYING INFLUENCE IN CONGRESS

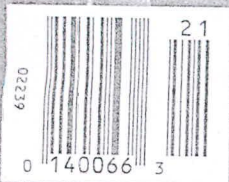
& WORLD REPORT
U.S. News

MAY 24, 1993

\$2.50

DOES THERAPY WORK?

.....
The growing controversy



Clinton's master plan

Final decisions on health reform: How much it will cost and who pays

If Washington were the terrain of Greek mythology, assembling a health-reform plan would qualify as the 13th labor of Hercules. But unfortunately for Bill Clinton, the agony of the process isn't myth—it's for real. His team is already three weeks past the 100-day deadline set for unveiling a health care plan. As the president and his advisers struggle to meet a new, mid-June target for unveiling the package, they are confronting the toughest decisions yet. In effect, they are assembling a complex jigsaw puzzle of health reform that constantly rearranges itself as each piece is changed. And the most drastic rearrangement will be felt as Clinton

settles the last and biggest question—how to sock businesses and the public for the cost of his sweeping plan.

Here's what is known about Clinton's package so far. It will require employers to contribute to health insurance for their workers, either through specified per-employee premiums or through contributions similar to payroll taxes. Most, if not all, American firms would make these payments to regional "health alliances," purchasing pools that would offer an array of privately run health-insurance plans to individuals. Workers would also make contributions to these pools equivalent to as much as 2 percent or 3 percent of their

wages. Eventually, much of America's population would obtain insurance through the health alliances—even people now on Medicare and Medicaid (graphic).

Sticker shock. Many of the private insurance plans offered by the pools would be organized along the lines of today's health maintenance organizations. Others would allow people greater liberty to pick their physicians, though these plans would cost consumers more. The health plans would offer a generous new package of benefits set by the government and would compete to offer the highest quality of care at the lowest price. The costs of implementing

Changing health care roles

Dramatic shifts could occur in virtually every part of the health care financing system as the government sets up huge "alliances" pooling firms and individuals to purchase insurance for basic health care coverage. The role switches:

The federal government

Would phase out Medicaid and, over a number of years, Medicare. Would make payments to alliances to help cover groups such as the poor and subsidize coverage for the jobless.

Large firms

Would pay either a fixed per-employee premium or a portion of payroll, probably 8-9%, to alliances to help cover their workers. Firms over a certain size (not determined) probably wouldn't be forced into the alliances—though they might have to help subsidize the new system.

Small firms

Under phased-in reforms, firms that don't now provide insurance for their workers could begin paying partial premium or a smaller portion of payroll to alliances. Over time, their contribution would rise. The feds would contribute the

The aged and disabled

Those in Medicare could continue in the program. But they could get incentives to purchase insurance through alliances, such as some coverage for long-term care. In the future, those who became disabled or turned 65 would keep the same coverage they had previously.

ROD LITTLE—USN&WR

Clinton's plan would be hefty—requiring an estimated \$11 billion to \$45 billion a year in new federal revenues and anywhere from \$20 billion to \$75 billion in contributions from businesses.

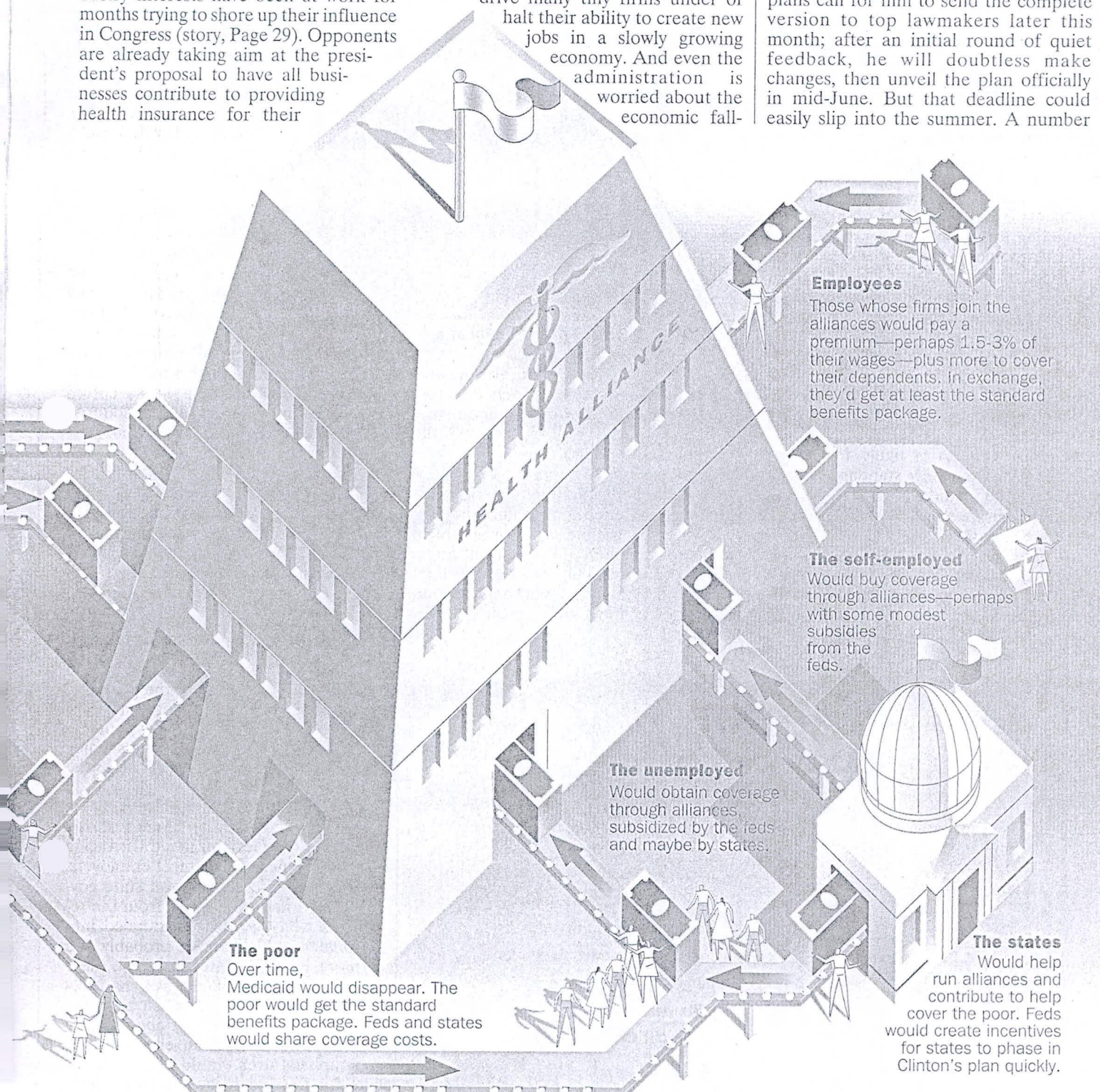
As glimpses of Clinton's choices emerge, so do developing political rifts that could ultimately derail passage of the plan. In preparation for what promises to be the biggest legislative battle they will ever face, powerful health-industry interests have been at work for months trying to shore up their influence in Congress (story, Page 29). Opponents are already taking aim at the president's proposal to have all businesses contribute to providing health insurance for their

workers. "This is a dividing line between Republican and Democratic approaches," contends Sen. John Chafee of Rhode Island, who heads a Senate GOP task force devising a rival health plan.

Many lawmakers object to national spending limits in Clinton's plan that would tie health outlays to the growth in American workers' wages. Small-business groups argue that the new costs Clinton would impose on them would drive many tiny firms under or halt their ability to create new jobs in a slowly growing economy. And even the administration is worried about the economic fall-

out of its evolving plan. "We don't want to introduce a package [that] has a significant disincentive to employment, particularly for low-wage workers," says Laura D'Andrea Tyson, chairman of the Council of Economic Advisers.

When's the unveiling? In reality, virtually every aspect of Clinton's package is probably up in the air until the president makes the final decisions and ships his proposal to Capitol Hill. Current plans call for him to send the complete version to top lawmakers later this month; after an initial round of quiet feedback, he will doubtless make changes, then unveil the plan officially in mid-June. But that deadline could easily slip into the summer. A number



of Democrats are still pressing Clinton not to unveil his plan until the giant tax component of his economic program is well on its way through Congress. And that process, too, could be delayed if military intervention in Bosnia distracts Clinton's—and lawmakers'—attention.

For all the remaining uncertainties about its timing and its myriad of details, the rough outlines of the reform package still resemble the plan Clinton sketched toward the end of his election campaign. Indeed, the broad features have stayed so similar in the past six months that some members of Clinton's 500-member health-reform task force express amazement that they worked so hard to accomplish so little. As one person close to the process observes, "They joke that they were engaged in the largest and most expensive educational program ever put together for one person." That person is Ira Magaziner, a brainy business consultant who until recently knew relatively little about health policy but was placed in charge of the task force in part because he is a longtime friend of the president and Hillary Rodham Clinton.

The caviling aside, there actually has been significant evolution in Clinton's plan in recent weeks. It has become both broader and bolder in scope: For example, Clinton is likely to propose folding into the new standard benefits package the medical portion of auto-accident insurance and workers' compensation. That sounds abstract, but in fact it would simplify the nation's multilayered insurance system and probably drive a number of property-and-casualty insurers across the country out of



Looking for answers. Mrs. Clinton at a health forum

business. Most important, the health-reform task force has reached across the ocean for inspiration about the structure of the new system—all the way, in fact, to Germany.

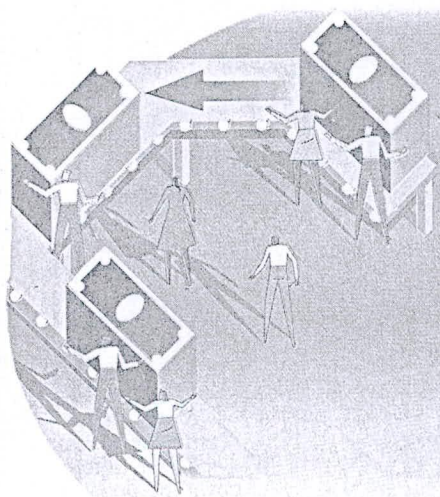
The result is a proposal for a new health-financing system described as "managed competition within a budget." The principal architects of this approach are two members of the task force, Princeton University sociologist Paul Starr and Walter Zelman, deputy commissioner of the California state insur-

ance department. Starr and Zelman were attracted to the idea known as managed competition, which is based on the notion that the government should lay the groundwork for a new health-care market where insurers and providers would compete to provide the most cost-effective care. But like many health-policy experts, they worried that competition alone might not succeed in restraining the skyrocketing growth in health spending. Their solution was to create backup limits on the amount of money that could be poured into America's health system.

As one model, Starr and Zelman looked at Germany, where the sums spent on health care grow only as fast as the annual increase in all workers' wages. Here is how the system functions: German employers and workers contribute premiums, simi-

lar to payroll taxes, to a series of non-profit health-insurance plans called "sickness funds" around the country. Supplemented by some additional government funding, these plans pay all medical bills for workers, their dependents and retirees. Because the contributions are a percentage of all the wages and salaries of German workers, they can grow only as fast as the underlying wages themselves. The German government also keeps health costs in line by negotiating payments to doctors and hospitals according to a preset schedule of fees. The result is that German health outlays, at 8.5 percent of gross domestic product, have grown over the past decade at about half the rate of America's, where health spending is now about 14 percent of GNP. Yet Germans enjoy medical care that rivals America's as the best in the world.

In many respects, Clinton's health reforms would create an Americanized version of the German health-financing system. Payments from most employers, workers and the federal and state governments—and eventually, from the retired as well—would be funneled into regional health alliances, probably one or more in every state. In effect, these overall payments would automatically increase each year only as fast as wages, which are now growing at about 5 percent a year. Insurers in each state or geographical area would have to compete for this fixed pool of funds; thus,



EMPLOYEES

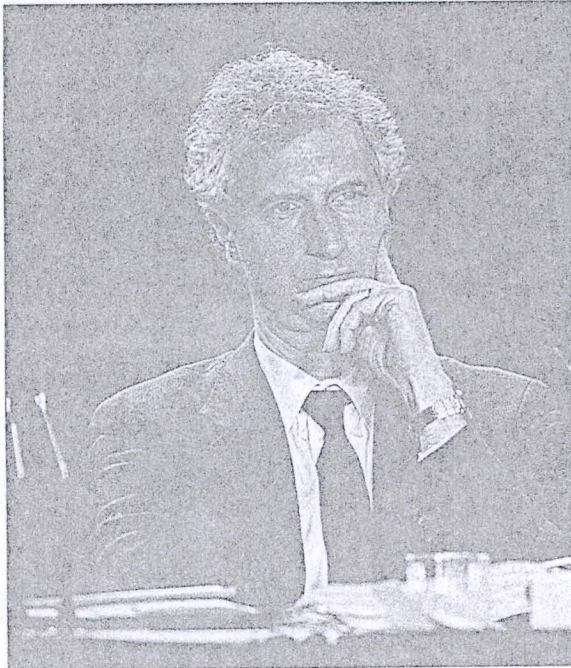
Small-business workers would pay premiums on top of employers' contributions for coverage by the health alliances. Employees at large companies would probably get coverage much as they do now. All workers would get at least the core benefits package—paying after-tax dollars if they wanted more.

■ U.S. NEWS

the premiums they charge could rise at most only about 5 percent a year as well. That means the contracts that insurers negotiated with doctors, hospitals and other health providers and suppliers also could grow at just 5 percent. Since America's health spending has been rising at about 10 or 11 percent a year for three decades, the effect would be like slamming the brakes on a 747 jetliner. Experts can only guess whether the effect would be simply to squeeze out wasteful and excessive health spending, or to slash the provision of care that Americans really want or need.

So much for the theory behind Clinton's impending reforms. What about the extraordinarily complicated mechanics? And even if such a system can be put in place, is there one chance in a million that it will work as planned? It is precisely these questions that now plague Clinton and his health advisers. Here are some of the biggest issues they face:

■ **How to make companies pay.** Rejecting a government-financed health system like Canada's, Clinton has chosen to build on America's system of predominantly employment-based insurance to extend coverage to many of the estimated 37 million Americans without health insurance. As a result, all American firms would have to contribute to covering their workers and dependents—a measure that would help cover two thirds of the uninsured, many of whom work for small, low-wage businesses. The issues are first, how to set these contributions so they don't hurt workers or drive many small firms under and second, how to arrange them so that the federal con-



Brainy—and now educated. Top adviser Magaziner

tributions needed to subsidize the arrangements can be held to a minimum. Clinton's advisers are wrestling with two approaches: requiring firms and workers to contribute a percentage of payroll, as in Germany, or a specific level of premium for each employee.

This sounds like just another arcane issue, but in fact it could determine much of the political and economic fate of health reform. Consider the impact of each approach on two small businesses, Sanitation Services Co. (SSC), whose minimum-wage workers earn around \$8,000 a year, and Burgeoning Biotech, whose employees earn an aver-

age of \$35,000. If both firms were required to pay 9 percent of payroll, then Sanitation Services would in effect pay \$720 for each worker. Burgeoning Biotech, however, would pay \$3,150—in effect, helping to subsidize coverage for the low-wage workers of SSC.

But if these firms were required to pay specified per-employee premiums, the story would be very different indeed. If the employers' share of the premium were about \$2,500—or about 70 percent of the cost of a package of benefits worth \$3,500—that would be equal to about 30 percent of the annual earnings of an SSC worker. That same premium would represent just 7 percent of the average earnings for a worker at the biotech firm.

This big burden on low-wage companies could easily deter them from taking on new employees. And ultimately, small businesses would “pass the costs on to workers in the form of lower wages,” notes Democratic Sen. Harris Wofford of Pennsylvania, who nonetheless supports the framework of Clinton's plan.

At first glance, the preferred solution would seem to be the payroll-based approach, assuming that Clinton wanted to earn the support of thousands of low-wage businesses. But there are dozens of other problems with it. For one thing, this “payroll premium” would look an awful lot like a payroll tax—and would lead to charges that Clinton was raising tens of billions of dollars more in taxes to pay for his plan. For another, notes Stuart Altman, a Brandeis University health-policy expert who advised the task force, the payroll premium would hurt upper-income workers even if it were a better deal for their firms.

Say a 2 percent payroll tax were levied on workers to supplement their employers' contributions to the health alliances. In that case, a husband and wife earning \$70,000 would pay \$1,400 toward their health coverage on top of the \$6,300 their employers paid (assuming a 9 percent payroll tax on employers). In all likelihood, the total of \$7,700 would far exceed what the couple and their employers pay now for health insurance. And that difference, Altman observes, would make “average middle-class people totally change their views about health-care reform.”

So far, Clinton's advisers have not de-

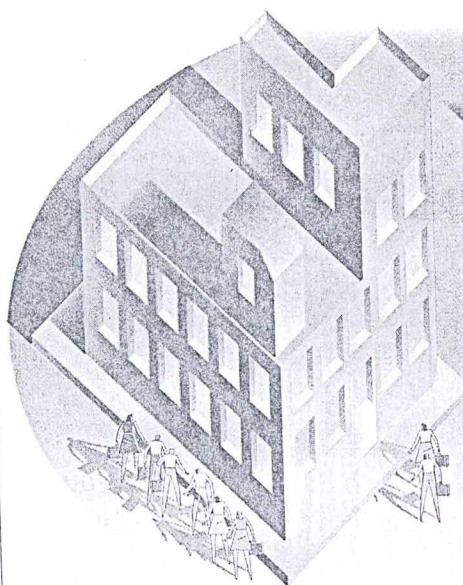
AGED & DISABLED

For now, Clinton might not tamper much with Medicare, which serves 36 million beneficiaries. Yet seniors and the disabled may get goodies so they will pick plans like HMOs and abandon traditional fee-for-service medicine. Some options: generous prescription-drug and some long-term-care coverage. Eventually, Medicare would disappear as a separate program.

cided between the two approaches. In the end, they may conclude that they could buy off small businesses with big tax credits or other subsidies, and therefore choose the per-employee premium over the payroll-based approach. Moreover, they will undoubtedly propose phasing in the employer mandate so that small companies would be required to make minimal payments in the early years of health reform—perhaps offset by vastly higher contributions from larger firms. In any case, the ultimate calculus about which way to go will clearly be a political one: whose opposition would hurt Clinton's plan the most.

■ **Who's in and who's out?** A related issue is whether all companies would be forced to funnel contributions through the health alliances, or whether America's largest firms—for example, those with more than 500, 1,000 or even 5,000 employees—would be able to stay out. Some big companies see benefits from joining the pools, but others don't. Corporations like Chrysler, with legions of well-paid auto workers and retirees, now spend close to 20 percent of total payroll on health care. So a new system that would require them to spend only 9 percent of payroll sounds like a gift from heaven. Clearly, these firms would still have to honor the health benefits written into existing labor contracts, so there is no way they would be able to chop their health spending by that much. Nonetheless, they are tantalized by the prospect that they could put their retired workers into the pools as a way of limiting corporate outlays for retiree health care.

Labor unions and other activists also want all U.S. companies in the health



LARGE FIRMS

Many large firms want to stay out of the health alliances—arguing that they shouldn't be forced to subsidize coverage for poor, low-wage workers who could dominate the purchasing pools. Yet if big employers are out, insurance rates in the pools could shoot toward the sky.

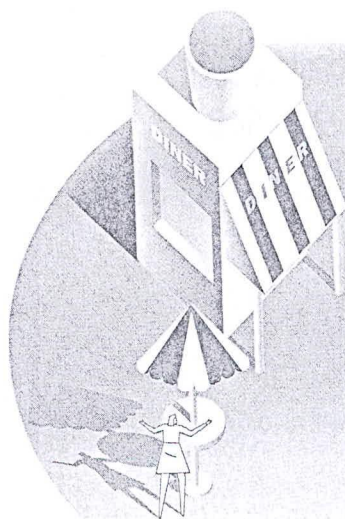
pools. Not only would that mean hefty contributions for the health alliances from large corporations; it would also mitigate the likelihood that the pools would be dominated by low-wage workers and by Medicaid recipients, who tend to be sicker than the population at large and who cost a fortune to treat. But that's precisely the reason many big firms want to stay out of the health alliances, since they fear they would effectively have to subsidize the high-cost care of these groups at a time when they have finally managed to get their own health outlays under control. Moreover, because large firms question whether overall health spending will fall in line with wage growth, they doubt that a 9 percent payroll contribution

rate would stay at that level for long. They worry that the government would come back every few years asking for more money, notes Ellen Goldstein of the Association of Private Pension and Welfare Plans, a Washington-based employer group.

To win the support of big business, Clinton will probably agree that the nation's largest firms can stay out of the pools and can continue to provide health coverage to workers much as they do now. But they may have to make some contributions to subsidize the health alliances. And Clinton's plan would doubtless give big companies that stayed out of the pools strong incentives to hold health spending to the new national target—for example, by refusing to let firms take tax deductions for the costs of their health-insurance benefits if those costs rose faster than the rate of growth in overall wages.

Dozens of other major details remain unresolved—and as Clinton's advisers decide each one, at least 10 others seem to crop up. Meanwhile, outside the administration, even proponents of health reform fear that the plan's growing complexity could ultimately prove its undoing. Conscious that many months will be needed to dissect and fine-tune any health reform plan, Republican senators, says Chafee, have warned Clinton "not to act like he's come down from Mount Sinai with the Ten Commandments when he unveils his proposal—and the same will go for us." Yet only with superhuman efforts over the next few weeks, it seems, will the president make it up the mountain at all. ■

By SUSAN DENTZER



SMALL FIRMS

Two thirds of small firms already provide health insurance to their workers; many would eagerly join the health alliances, since they could obtain insurance discounts that they can't get now. But other firms will resist if Clinton requires them to pay for insurance. They will charge that costs jobs.

Money, Congress and health care

The medical industry wants a say in the coming debate — and is prepared to pay for it

On a clear night in Washington not too long ago, about 20 doctors from around the country partook in what has become an annual rite of spring in the nation's capital, wining and dining a member of Congress while they got a few parochial concerns off their chests. The guest of honor was a Tennessee Democrat named Jim Cooper, a highly regarded lawmaker who authored a bill calling for managed competition in the health care industry, a bill that would affect the assembled physicians. "It isn't in smoke-filled rooms where you get someone to vote one way or the other," says Donald Fisher, executive vice president of the American Group Practice Association. "What it really is an open, honest dialogue about what is needed." That spring night Cooper received checks totaling \$13,000 after his dinner with the doctors.

The health care industry today represents one seventh of the American economy. Reforming the system will be the most significant legislation since the passage of Social Security. For the special interests involved, reform of the system may be the biggest fight of their lives.

And they intend to make sure their voices are heard. A *U.S. News* computer analysis of federal Election Commission records found that health care and insurance industry interests plowed a phenomenal \$41.4 million into House and Senate campaigns in 1992 — a jump of 31 percent over 1990. The increase is significant: Over the same period, campaign contributions of all kinds rose only 10 percent. "The increase," says Michael Podhorzer of the

consumer lobby Citizen Action, "is nothing short of an explosion."

The *U.S. News* study examined nearly 2 million campaign contributions made between 1990 and 1992 by individuals and political action committees. Principal findings:



■ Doctors, individually or through PACs, gave \$16.4 million in 1992, an increase of 45 percent over 1990.

■ The biggest jump in contributions came from nonphysicians — mainly chiropractors, nurses and physical

therapists. These groups seek inclusion in any basic benefits plan that emerges from the Clinton reforms and stand to gain from an increased emphasis on preventive care. Contributions from them in-

creased by 48 percent over 1990.

■ Contributions known as independent expenditures jumped to \$1.1 million last year from physicians alone. That's nearly one tenth of all independent expenditures, making the health industry among the biggest such contributors (box, Page 30).

■ "Soft money," unrestricted contributions to state and national political parties, represents a growing part of campaign war chests. Last year, health care interests paid \$5 million to political parties. Much of that money was used in congressional races.

■ Federal Election Commission records show strong evidence of "bundling" by employees of health care industries. Bundling constitutes no violation of law, but it is a good indication of an interest group's influence. The *U.S. News* examination found dozens of examples of checks being received by the same member of Congress on the same day from employees of the same corporation. The contributions amounted to well over \$100,000.

■ The top recipients of health care and insurance dollars almost all faced strong opposition in the November elections. Nearly all were incumbents, Republicans or conservative Democrats, who favor moderate, market-based reform and hold other positions friendly to physicians and insurance companies. Many of these

Money Machine
Campaign contributions from health care and insurance interests boosted dozens of congressional candidates in 1992. The biggest winners:

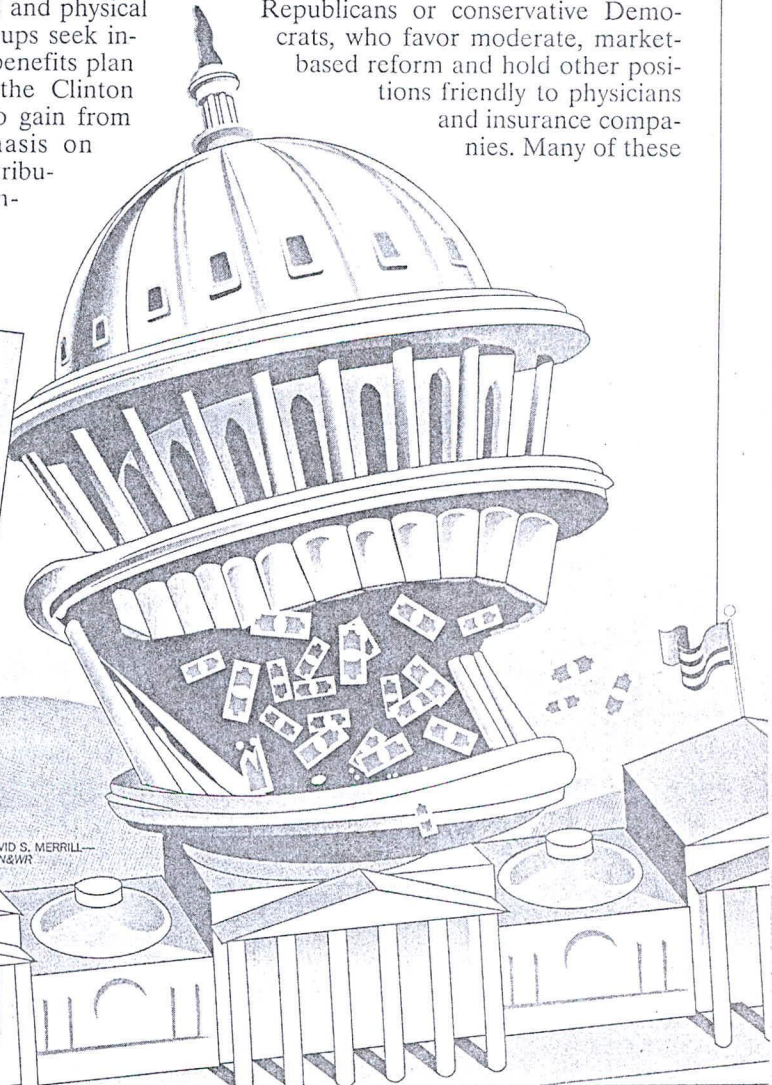
Senate

1. Arlen Specter (R-Pa.)
2. Bob Packwood (R-Ore.)
3. Daniel Coats (R-Ind.)

House

1. Richard Gephardt (D-Mo.)
2. Henry Waxman (D-Calif.)
3. Dan Rostenkowski (D-Ill.)

USN&WR—Basic data: Federal Election Commission



DAVID S. MERRILL—USN&WR

same congressional leaders, aware of the stakes in the fight over health care reform, began soliciting money months and months ago. "We get many, many requests every week from candidates," says Mark Seklecki of the American Hospital Association. More candidates asked for money last fall, Seklecki says, than ever before.

■ While records of political contributions this year are not yet available, evidence suggests that the spending will increase over 1992. The American Chiropractic Association, for example, has already raised more than \$1 million in membership fees and political action funds. A spokesman says the money will go to finance the organization's "very aggressive grass-roots campaign." The chiropractic association has declared the fight over health care reform a "national legislative emergency." All over Washington, lobbyists are getting called. One well-connected Washington firm, Gold & Liebgood, has picked up six new health-related clients. "They are coming to," says Martin Gold, "because of our contacts in Congress." Another big player is Cassidy & Associates. The firm gave \$238,928 to members of Congress in individual donations. Its clients include pharmaceutical firms and a large hospital chain.

Always influential, the medical and

CASH COW

To win friends and influence pols

The Federal Election Commission calls them "24E" transactions. They also go by the name "independent expenditures," but whatever you call them, they're a lot of bang for the buck. Thanks to an obscure Supreme Court ruling that defends the contributions as a First Amendment right, lobbyists, political action committees, anyone, really, can spend as much money as they want on

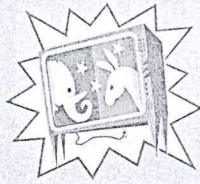
a favorite candidate — as long as the money does not go to the campaign directly. Unlike direct PAC contributions, which are limited to \$5,000

per candidate in the primary and \$5,000 in the general election, the sky's the limit on independent expenditures.

They may be unfamiliar to most Americans, but just about everyone has seen the results of these campaign contributions. The controversial TV ad

about prison inmate Willie Horton that did so much damage to the presidential hopes of Michael Dukakis, for instance, was paid for by an independent expenditure for the campaign of George Bush. Realtors, foreign-car dealers and abortion-rights activists are among the biggest players in the independent-expenditure game.

So is the American Medical Association — the fourth-biggest source nationally of independent expenditures on political campaigns. In the final

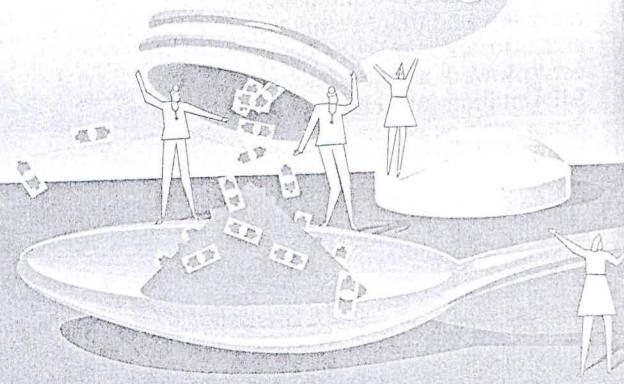
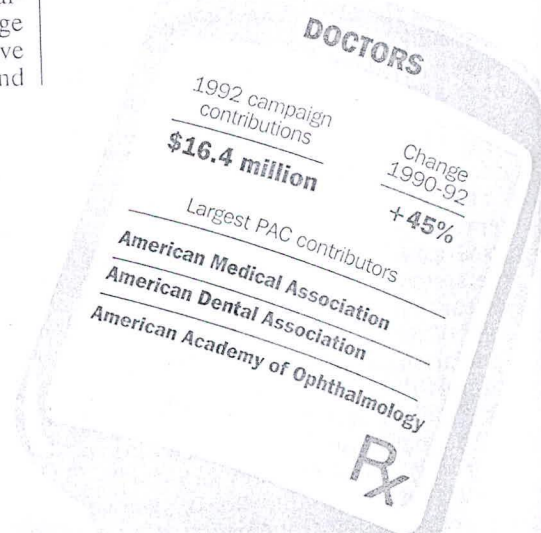


insurance lobbies have successfully fended off health care reform before. The American Medical Association, for example, pushed Franklin D. Roosevelt to keep health care out of the New Deal. Now that change is likely, however, the special interests are trying to minimize the damage. Although President Clinton will not announce his plan until June, reform proposals have already created strange bedfellows. Large insurance companies that already have health maintenance organizations stand

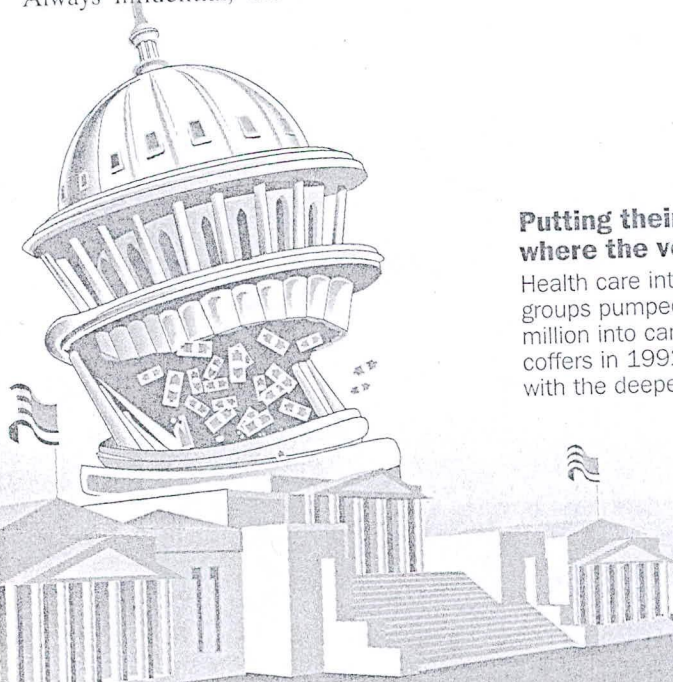
to benefit from a system of managed care while their smaller counterparts may be forced to insure higher risk patients. Labor unions worry that mandated benefits will be less generous than the ones they already have. Small businesses fret over how to pay for insurance they don't now provide. Pharma-

Putting their money where the votes are

Health care interest groups pumped \$41.4 million into campaign coffers in 1992. Those with the deepest pockets:



Note: Campaign contributions represent 1992 donations given directly to candidates by political action committees and individuals. Doctors include physicians, dentists, surgeons, ophthalmologists and other specialists. Insurance includes the largest issuers of life and health insurance. Pharmaceuticals include all major drug manufacturers. Other providers include health practitioners who are not MDs, such as chiropractors, nurses and physical therapists.
USN&W—Basic data: Federal Election Commission



two weeks before the November 1992 election, the AMA and its affiliate California Medical Association doled out over \$1 million to the campaigns of just 23 politicians — including both Bill Clinton and Bush. Holding its fire until the final days of the campaign, the AMA got the maximum punch by targeting friendly pols in close races.

California Democrat Vic Fazio was the biggest beneficiary. In just one week, between October 20 and October 27, records show, the AMA and the California Medical Association spent \$257,585 to assist Fazio's campaign against challenger H. L. Richardson. "Feeding

the alligator," Richardson calls such spending. He says the negative TV ads the AMA paid for hurt his chances in what was a close, hard-fought race. Fazio opposed some AMA positions, but he supported others, like malpractice reform. At the same time, Fazio is enormously influential in Washington, and the AMA agreed to back him for that reason.

Some of the AMA's other independent expenditures were more strategically placed. In the last two weeks before the election, the AMA spent \$103,385 on radio ads and an additional \$15,000 on a poll to help Texas Democrat Mike Andrews defeat Repub-

lican Dolly Madison McKenna and keep his seat on the powerful House Ways and Means Committee. Andrews, an advocate of managed health care whose district includes the enormous Texas Medical Center, has always been able to raise big money from medical interests. This time, though, the AMA got more than it might have hoped for. Soon after his reelection, Andrews won a seat on the critical Ways and Means subcommittee on health care. From that perch, the Texas congressman will exert enormous influence as the battle is joined over how to fix the nation's health care system.

tors with her support for a national health care system based on the Canadian model. Specter came out strongly against such a system and in favor of managed care and reduced paperwork. He is also a key swing vote in any close fight over reform. "Priority 1," explains one industry lobbyist, "is fence sitters. No. 2 is folks on your side."

Paper flow. Similar dynamics help explain campaign contributions to other congressional favorites from the health care industry. In the tight Senate race between Oregon Republican Bob Packwood and Democrat Les AuCoin, Packwood took the more conservative approach to health care reform, calling for changes in the existing employer-based system and tax credits for the uninsured. Throw in paperwork reduction measures — against AuCoin's advocacy of a

ceutical companies accused of price increases that far exceed inflation face the prospect of price controls. And doctors, having resigned themselves to government interference, can only make sure their practices suffer as little as sible.

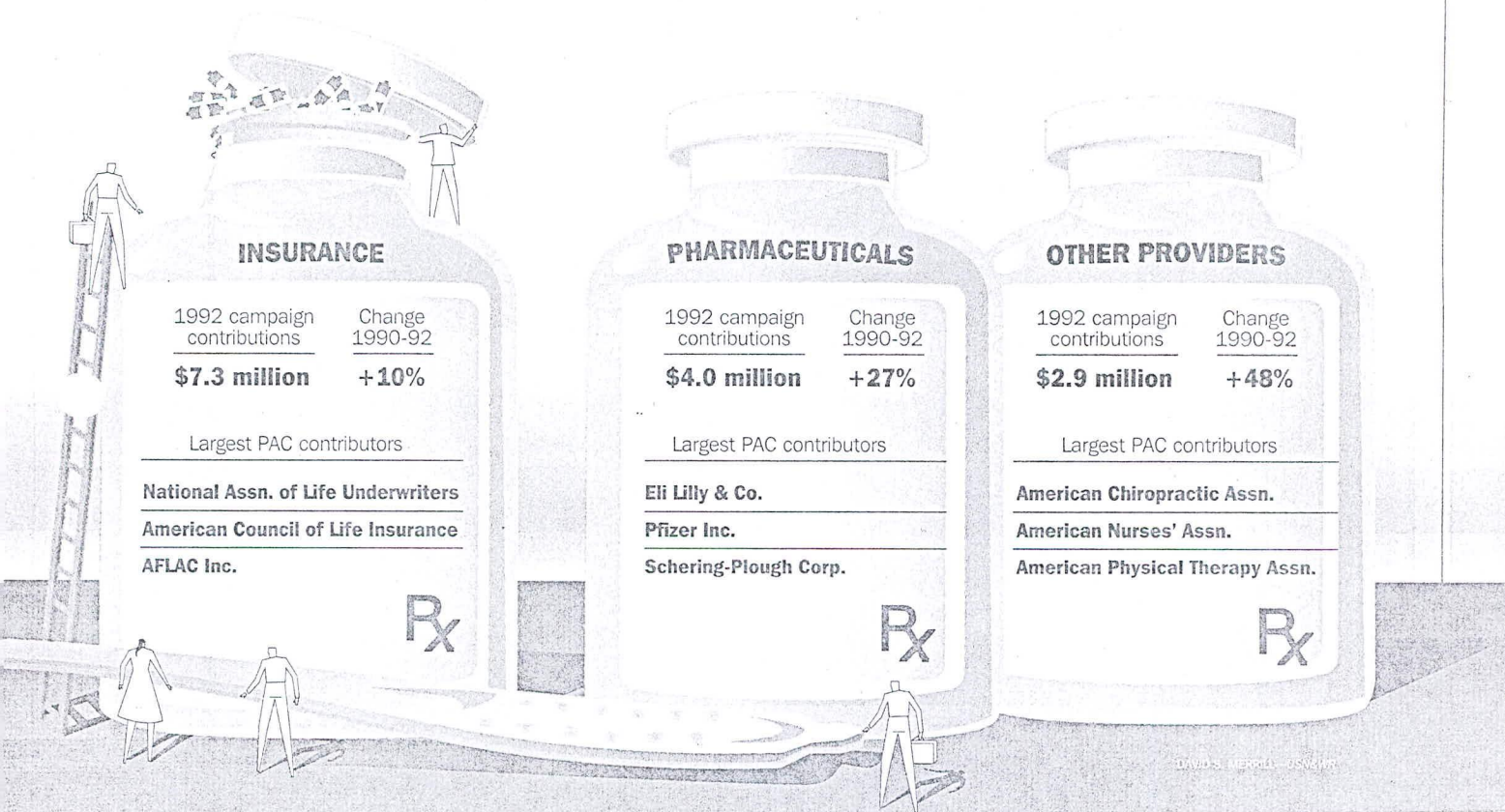
Everyone, in other words, is looking for help from Capitol Hill. As with much important legislation, three battlegrounds are key: the House Ways and Means Committee, the Senate Finance Committee and the House Ener-

gy and Commerce Committee. Members of these panels and of labor committees, as well as congressional leaders, showed up repeatedly in the *U.S. News* analysis of campaign contributions from the health care industry.

The No. 1 recipient: Pennsylvania Sen. Arlen Specter. A minority whip and the ranking Republican on the subcommittee with jurisdiction over health care spending, he received \$421,737. His opponent in a close November race, Democrat Lynn Yeakel, spooked doc-

single-payer national health program — and Packwood was the natural choice of the health care industry, which ponied up \$308,658, most of it from doctors.

In Arizona, Republican Sen. John McCain, a minority whip and member of the minority task force on health care, preached against "pay or play," which would require employers either to provide health benefits or pay into a system provided by the government. And in Iowa, Sen. Charles Grassley, a Republican member of the Senate Fi-



U.S. NEWS

nance Committee, deplored the costs of medical malpractice awards. Doctors and insurance companies responded in kind, with gifts of \$280,129 and \$150,357, respectively. Health interests were also happy to contribute \$327,637 to Democratic Sen. Christopher Dodd, whose home state of Connecticut employs 52,000 people in that business. "We make no apologies," says a spokes-

man for the senator, "for representing the workers of Connecticut."

Another winner in the campaign finance sweepstakes is Indiana Republican Dan Coats, who is neither a Senate leader nor a member of the most powerful committees. He is, however, a friend of pharmaceutical giant Eli Lilly & Co., a sympathetic ear for doctors and a former lawyer for an insurance company. With the Democratic contender calling for curbs on drug prices,

Lilly rewarded Coats with more than \$38,900 in contributions, \$28,900 of that from individual employees.

For all the money they're spending, few in the health industry want to talk about it. The AMA, for example, declines to discuss its PAC giving or its lobbying strategy. For pharmaceutical companies, the threat of price controls is reason enough to ante up contributions. "It's just the way you play the game," says Julianna Newland of Eli



The Capitol Gang

The U.S. News analysis of campaign contributions to members of Congress identified millions of dollars from medical and health care interests. Most of the top 100 recipients sit on key committees or hold leadership positions. Amounts of 1992 contributions and identifications of principal interest groups are also shown.

ARLEN SPECTER
(Sen., R-Pa.)
\$421,737
Doctors

BOB PACKWOOD
(Sen., R-Ore.)
\$395,686
Insurance

RICHARD GEPHARDT
(Rep., D-Mo.)
\$369,462
Insurance

DANIEL COATS
(Sen., R-Ind.)
\$357,463
Pharmaceuticals

TOM DASCHLE
(Sen., D-S.D.)
\$343,633
Doctors

CHRISTOPHER DODD
(Sen., D-Conn.)
\$327,632
Insurance

CHRISTOPHER BOND
(Sen., R-Mo.)
\$307,204
Doctors

JOHN McCAIN
(Sen., R-Ariz.)
\$297,148
Doctors

CHARLES GRASSLEY
(Sen., R-Iowa)
\$280,129
Insurance

BOB GRAHAM
(Sen., D-Fla.)
\$273,870
Doctors

BOB DOLE
(Sen., R-Kan.)
\$262,552
Insurance

JOHN BREAUX
(Sen., D-La.)
\$255,922
Insurance

HENRY WAXMAN
(Rep., D-Calif.)
\$244,799
Doctors

DAN ROSTENKOWSKI
(Rep., D-Ill.)
\$243,198
Insurance

BARBARA BOXER
(Sen., D-Calif.)
\$235,243
Doctors

PETE STARK
(Rep., D-Calif.)
\$229,601
Doctors

NEWT GINGRICH
(Rep., R-Ga.)
\$169,559
Insurance

WENDELL FORD
(Sen., D-Ky.)
\$169,349
Insurance

BARBARA MIKULSKI
(Sen., D-Md.)
\$165,388
Doctors

VIC FAZIO
(Rep., D-Calif.)
\$160,757
Doctors

NANCY JOHNSON
(Rep., R-Conn.)
\$150,605
Insurance

E. CLAY SHAW
(Rep., R-Fla.)
\$148,895
Doctors

JOHN DINGELL
(Rep., D-Mich.)
\$144,097
Insurance

KENT CONRAD
(Sen., D-N.D.)
\$140,714
Insurance

SANDER LEVIN
(Rep., D-Mich.)
\$139,996
Doctors

MICHAEL ANDREWS
(Rep., D-Texas)
\$138,110
Insurance

BENJAMIN CARDIN
(Rep., D-Md.)
\$130,100
Doctors

DAVID BONIOR
(Rep., D-Mich.)
\$128,625
Doctors

CHARLES RANGEL
(Rep., D-N.Y.)
\$127,009
Insurance

J. ROY ROWLAND
(Rep., D-Ga.)
\$122,675
Doctors

BARBARA KENNELLY
(Rep., D-Conn.)
\$118,650
Insurance

MICHAEL BILIRAKIS
(Rep., R-Fla.)
\$117,029
Doctors

SAM GIBBONS
(Rep., D-Fla.)
\$115,899
Insurance

PHIL GRAMM
(Sen., R-Texas)
\$106,550
Doctors

BILL RICHARDSON
(Rep., D-N.M.)
\$104,760
Doctors

BUTLER DERRICK
(Rep., D-S.C.)
\$103,805
Insurance

FRANK MURKOWSKI
(Sen., D-Alaska)
\$101,709
Doctors

DON SUNDQUIST
(Rep., R-Tenn.)
\$100,342
Doctors

ORRIN HATCH
(Sen., R-Utah)
\$98,648
Pharmaceuticals

JIM SLATTERY
(Rep., D-Kan.)
\$93,599
Insurance

ROBERT MATSUI
(Rep., D-Calif.)
\$87,660
Doctors

ROBERT MICHEL
(Rep., R-Ill.)
\$87,323
Insurance

JIM BUNNING
(Rep., R-Ky.)
\$87,109
Insurance

MIKE SYNAR
(Rep., D-Okla.)
\$84,031
Lobbyists

JIM McCRERY
(Rep., R-La.)
\$82,450
Doctors

DAVE DURENBERGER
(Sen., R-Minn.)
\$81,200
Pharmaceuticals

J. J. PICKLE
(Rep., D-Texas)
\$80,547
Insurance

TOM HARKIN
(Sen., D-Iowa)
\$79,575
Doctors

JOHN BRYANT
(Rep., R-Utah)
\$78,339
Doctors

BILL BREWSTER
(Rep., D-Okla.)
\$77,999
Doctors

CONTINUED ON PAGE 34

U.S. NEWS

Lilly. "It's part of doing business." Not all the health industry money is flowing to political candidates and traditional lobbyists. Aetna Life & Casualty, Golden Rule and the Mayo Clinic are among the corporate supporters of the nonprofit Jackson Hole Group, which is credited with the managed competition approach endorsed by Clinton. The Jackson Hole Group has a

healthy budget of \$600,000, and Paul Ellwood, the group's founder, says he solicited as much as \$100,000 apiece from big insurance companies.

This picture of money and politics is incomplete without a look at donations by individuals, who can boost spending well beyond the limits set for PACs. Howard Palefsky, president of Collagen Corp., a Palo Alto, Calif., medical device company, gave \$500 to Sen. Orrin Hatch last year after a dinner thrown by the

chairman of Allergan, a pharmaceutical firm. A total of 22 people from medical device firms—13 from Allergan alone—gave Hatch \$12,400 on the same day. "Mine was in support of the man," says Palefsky. "He represents the kind of thinking that needs to be represented on the health and labor committee." ■

BY SUSAN HEADDEN, PENNY LOEB AND DAVID BOWERMASTER WITH EDWARD T. POUND



CONTINUED FROM PAGE 32

The Capitol Gang

Members who received the most money from health care interests

EDWARD KENNEDY
(Sen., D-Mass.)
\$75,041
Other providers

ALEX McMILLAN
(Rep., R-N.C.)
\$72,120
Doctors/Pharmaceuticals

FRED GRANDY
(Rep., R-Iowa)
\$71,096
Insurance

DAVE CAMP
(Rep., R-Mich.)
\$65,630
Pharmaceuticals

FRANK PALLONE
(Rep., D-N.J.)
\$65,305
Doctors

RALPH HALL
(Rep., D-Texas)
\$64,200
Doctors

THOMAS MANTON
(Rep., D-N.Y.)
\$63,499
Insurance

PETER HOAGLAND
(Rep., D-Neb.)
\$63,400
Insurance

DENNIS HASTERT
(Rep., R-Ill.)
\$63,156
Doctors

JACK FIELDS
(Rep., R-Texas)
\$62,600
Doctors

RICK SANTORUM
(Rep., R-Pa.)
\$62,035
Doctors

RICHARD NEAL
(Rep., D-Mass.)
\$60,899
Insurance

RICK BOUCHER
(Rep., D-Va.)
\$60,500
Pharmaceuticals

RICHARD LEHMAN
(Rep., D-Calif.)
\$59,300
Doctors

AL SWIFT
(Rep., D-Wash.)
\$58,800
Insurance

EDOLPHUS TOWNS
(Rep., D-N.Y.)
\$57,101
Doctors

GERALD SOLOMON
(Rep., R-N.Y.)
\$55,110
Insurance

W. J. "BILLY" TAUZIN
(Rep., D-La.)
\$54,391
Insurance

CARLOS MOORHEAD
(Rep., R-Calif.)
\$53,750
Doctors

JOE BARTON
(Rep., R-Texas)
\$52,900
Doctors

RON WYDEN
(Rep., D-Ore.)
\$52,575
Doctors

MICHAEL OXLEY
(Rep., R-Ohio)
\$52,050
Doctors

CARDISS COLLINS
(Rep., D-Ill.)
\$51,475
Insurance

DANIEL SCHAEFER
(Rep., R-Colo.)
\$48,325
Insurance

THOMAS FOLEY
(Rep., D-Wash.)
\$48,300
Doctors

PHILIP SHARP
(Rep., D-Ind.)
\$47,915
Doctors

AMO HOUGHTON
(Rep., R-N.Y.)
\$47,700
Medical Equipment

WILLIAM COYNE
(Rep., D-Pa.)
\$47,482
Doctors

JIM McDERMOTT
(Rep., D-Wash.)
\$46,200
Doctors

JON KYL
(Rep., R-Ariz.)
\$44,175
Doctors

JOHN LEWIS
(Rep., D-Ga.)
\$44,129
Doctors

FRED UPTON
(Rep., R-Mich.)
\$38,750
Doctors

GERALD KLECZKA
(Rep., D-Wis.)
\$38,360
Doctors

PATRICK LEAHY
(Sen., D-Vt.)
\$35,550
Lobbyists

JOHN ROCKEFELLER IV
(Sen., D-W.Va.)
\$34,900
Doctors

TOM DELAY
(Rep., R-Texas)
\$34,350
Doctors

MIKE KOPETSKI
(Rep., D-Ore.)
\$33,850
Doctors

LEWIS PAYNE
(Rep., D-Va.)
\$33,850
Doctors

WALLY HERGER
(Rep., R-Calif.)
\$31,975
Doctors

MEL REYNOLDS
(Rep., D-Ill.)
\$30,525
Doctors

EDWARD MARKEY
(Rep., D-Mass.)
\$27,750
Lobbyists

DONALD RIEGLE
(Sen., D-Mich.)
\$26,887
Insurance

DANIEL MOYNIHAN
(Sen., D-N.Y.)
\$26,265
Lobbyists

MEL HANCOCK
(Rep., R-Mo.)
\$23,850
Doctors

JOHN CHAFEE
(Sen., R-R.I.)
\$18,150
Pharmaceuticals

HAROLD FORD
(Rep., D-Tenn.)
\$16,450
Doctors

JEFF BINGAMAN
(Sen., R-N.M.)
\$15,669
Doctors

WILLIAM JEFFERSON
(Rep., D-La.)
\$14,950
Doctors

CRAIG WASHINGTON
(Rep., D-Texas)
\$14,800
Doctors

JIM COOPER
(Rep., D-Tenn.)
\$14,743
Doctors

The dollar amounts above are based on a computer analysis of nearly 2 million Federal Election Commission records of contributions from individuals and political action committees for the 1989/90 and 1991/92 election cycles. The National Library on Money and Politics provided a list of 280 PACs that have a prime interest in health care issues. U.S. News identified individual contributors in health-related occupations.

Key members were identified as those in leadership positions or with seats on the following committees: Senate Finance, Senate Labor and Human Resources, House Ways and Means, House Energy and Commerce. These are the key panels that will debate the elements of the Clinton administration's health care reform package when it is presented next month.

► 1993 HEALTH GUIDE



**THE TOP
TEN HEALTH
STORIES
TO WATCH**

U.S. News & WORLD REPORT

MAY 10, 1993

\$2.50

STRESS TEST

**BOSNIA. THE ECONOMY. HEALTH CARE. CAN
CLINTON MEET THE CHALLENGES?**

THE FIRST COUPLE: AN INTIMATE PORTRAIT



THE NEXT 100 DAYS

STRESS TEST

Bill Clinton's presidency has been taking a battering. And just ahead loom some massive issues: Bosnia. A sagging economy. Health care. Can he meet the challenges?

Bill Clinton's temper erupts and passes quickly like a summer storm. Recently, the skies opened during a meeting of the president's top advisers in the White House Roosevelt Room. Clinton complained things were going poorly and that his vision for the country wasn't being communicated properly. When an adviser restated the themes of his administration, the president cut him off. "You don't have to tell me the themes," he fumed. "I know them. It's a matter of getting them out."

Clinton knows that he's hit a rocky patch and so does the rest of the coun-

try—not to mention Washington's vast, and often vastly overwrought, instant analysis industry. In the past two weeks, he suffered the worst battering of his presidency. The Senate's defeat of his economic-stimulus package reinvigorated his Republican opponents. The revelation that the economy grew at a paltry 1.8 percent clip in the first quarter added confusion about what course his government should pursue. Last week, Budget Director Leon Panetta gave new life to the adage that in Washington, a "gaffe" is telling the embarrassing truth. When he said that Clinton's legislative agenda was in trouble, who could disagree? Cer-



tainly not the public, whose confidence is slipping: According to a *Washington Post/ABC News* poll, 71 percent of Americans say the country is on the wrong track, an increase of about 10 points from three months ago.

Finally, just when the president would most like to focus on domestic issues, he

THE NEW TOIL AND TROUBLE

On many fronts, Clinton faces fresh tests

CHARLIE ARCHAMBAULT—USN&WR



ADAPTING TO THE CAPITAL

White House life has posed unique challenges to the nation's very First (Working) Couple

32

DAVID BURNETT—CONTACT FOR USN&WR



SEEKING A 'NORMAL' LIFE

Exclusive interview: How the Clintons balance their work lives and their private lives

36

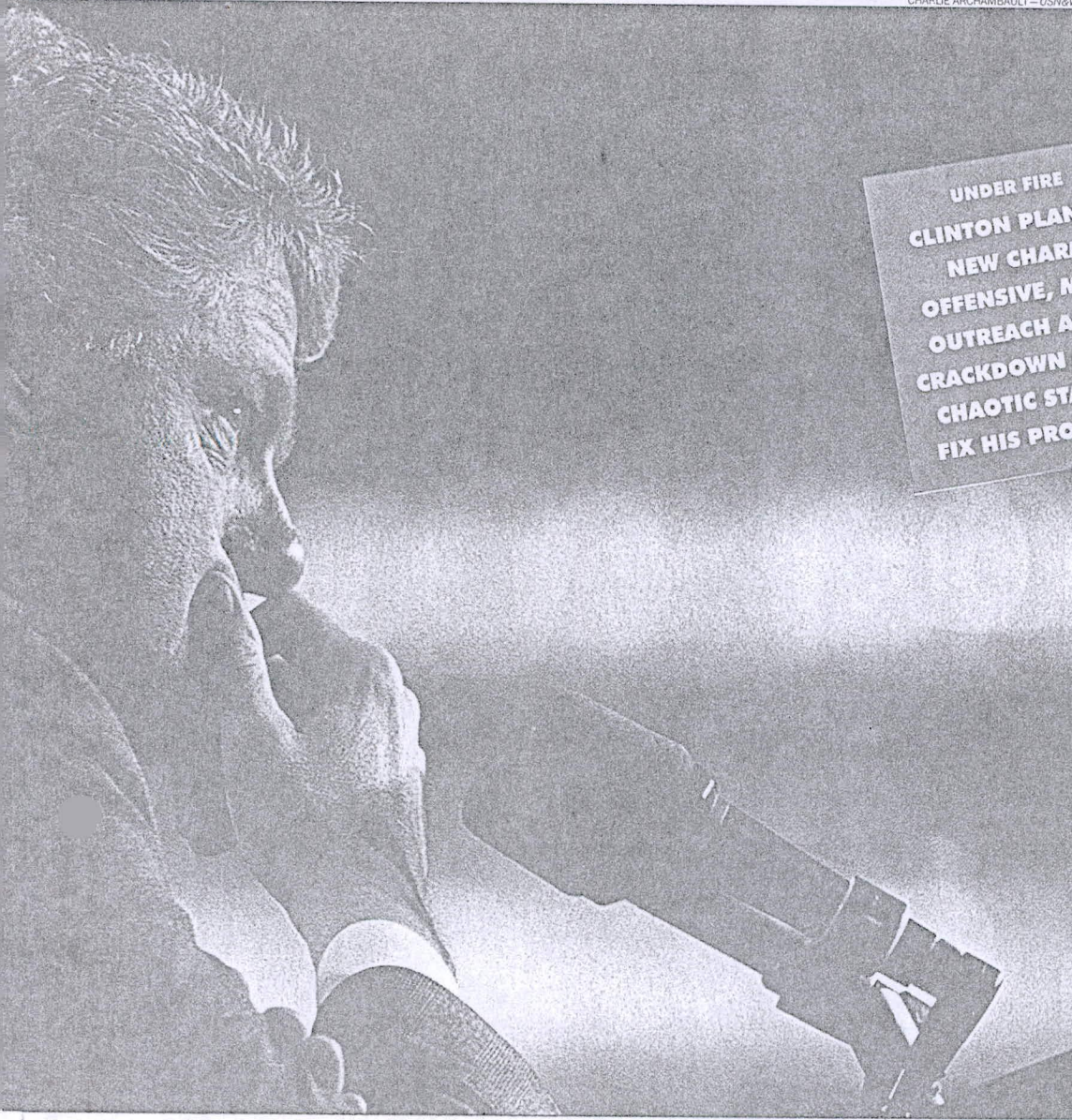
TONY CAMILLI



MAKING CHOICES IN BOSNIA

In the Balkans, the threat of force may accomplish more than actual use of it

50



**UNDER FIRE
CLINTON PLANS A
NEW CHARM
OFFENSIVE, MORE
OUTREACH AND A
CRACKDOWN ON HIS
CHAOTIC STAFF TO
FIX HIS PROBLEMS.**

isn't exactly spurring Americans to arms.

Congress is no more enthusiastic. The most vigorous congressional voices against deeper involvement come from Vietnam veterans and others who supported the fighting in Southeast Asia. Rep. John Murtha, a Pennsylvania Democrat, speaks for many: "I don't see the end of the tunnel."

Last week, 91 House members wrote to Clinton demanding that any "offensive military action" in the Balkans be approved by Congress first. The White House, says a senior official, will give Congress a chance to vote: "The gulf war created such a precedent. It can't be ignored." And looking past Bosnia, the White House faces a world full of other problems. Russian aid is in serious trouble in Congress; attempts to restore democracy in Haiti are faltering; Iraq is still bellicose, and North Korea's rogue nuclear weapons program is increasingly worrisome.

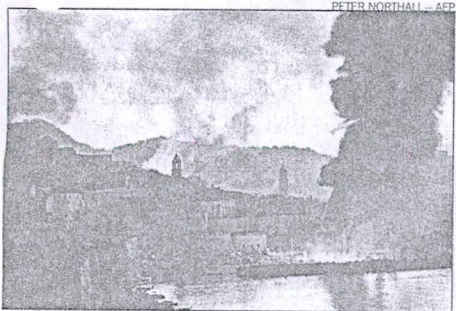
Management style. As he ponders those troubles and the huge tasks he's set for himself on the domestic front in his next 100 days, including the introduction of a revolutionary health care reform package, Clinton faces the basic question: Can he get back on top of his agenda and sell it to a wary country? And the equally basic answer is: It will be tough without some changes in the way the president does business.

Asked recently to assess the Clinton management style, the famed organiza-

tionist says Clinton's management style is a mix of the best and worst of the Bush administration.

felt compelled by the carnage in Bosnia to take steps toward deeper U.S. involvement. But stepping up military measures in the Balkans is fraught with political peril. The danger for Clinton is that a long-standing conflict garners only marginal support in Congress and among voters who see no compelling na-

tional interest in the region—unlike the Persian Gulf. After all, George Bush's secretary of state, James Baker, could plausibly argue that Desert Storm was about "jobs, jobs, jobs." No such argument exists in the former Yugoslavia. Even the fear of a wider Balkan war, spreading to Macedonia and Kosovo,

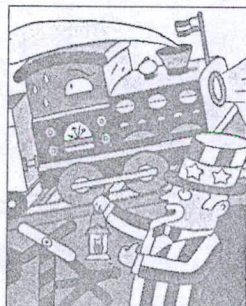


PETER NORTHALL—AFP

SUFFERING HISTORY'S FAILURES

How mistakes by the West after the cold war ended have come back to haunt the Clinton administration

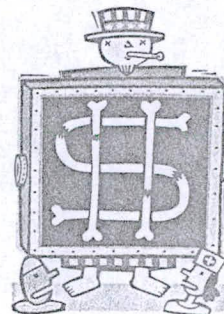
53



BATTLING A WEAK ECONOMY

A big drop in economic growth sows special problems in different regions of the country

56



MASTERING MEDICAL COSTS

The battle to decide who pays for what in the health care system will dominate the reform debate

60

U.S. NEWS

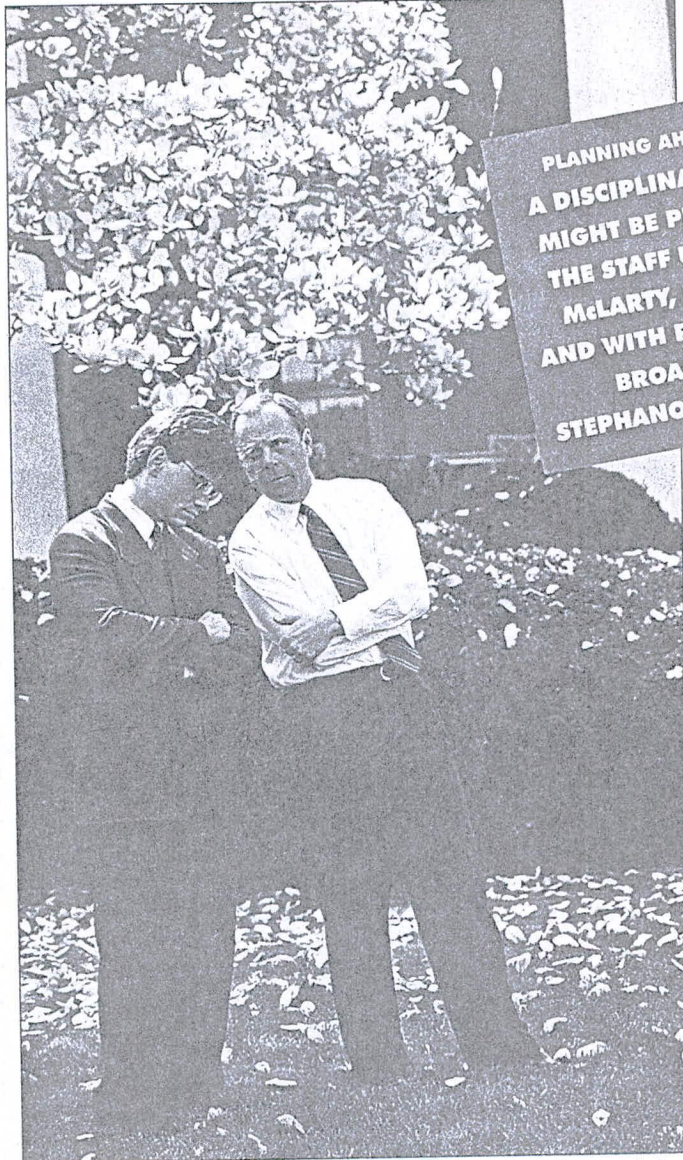
tional expert Peter Drucker declared: "He's running a flea circus." That is a bit harsh, but it highlights Clinton's problem. If Jimmy Carter's was, in the words of his erstwhile speech writer James Fallows, the Passionless Presidency, and Ronald Reagan's was the Disengaged Presidency and George Bush's was the Status Quo Presidency, then Bill Clinton's is emerging as the Hyperactive Presidency. This chief executive is trying to do it all—being his own best (fill in the blank) policy adviser, political expert and so on.

More gridlock? Of course, Clinton's presidency will visit peaks and valleys, as did his candidacy. And Clintonites rightly point to much that was accomplished during the first 100 days of the administration—like a fundamental reversal of a dozen years of GOP social and economic policy. The passage of the broad goals of the president's budget is a particular accomplishment since it codifies key policy changes, even if the details have yet to be resolved.

But life is only going to get rougher for the president—especially on Capitol Hill, where Democratic control has not meant the end of gridlock. Congress is in an ornery mood, and without

better and more aggressive leadership that inspires public confidence, it isn't about to help out on key Clinton programs like the North American Free Trade Agreement and his ambitious health care plan—a plan that, sources say, Hillary Rodham Clinton (even more than her husband) fears will not do enough to contain costs.

A huge social agenda would, of course, be hard enough for any president to peddle, but the Clintonites have compounded their own troubles. Mistake No. 1: trying to build an all-Democrat coalition. That pushed the president too far to the left and alienated moderates of both parties. "He allowed the liberal wing of the party to pull him off center ground," says Oklahoma Democrat Sen. David Boren. The White House went a long way toward correcting that last week as Mrs. Clin-



More order. They want to focus Clinton's time more carefully.

ton courted congressional Republicans and the White House persuaded GOP Sen. James Jeffords to sign on to its national service program.

The second Clinton mistake, lawmakers complain, is that the president is trying to do too much by pushing countless complicated and controversial programs all at the same time. Third, the White House has simply fumbled some initiatives. For instance, congressional leaders charge that the Clintonites ignored key elements of its Ross Perot-inspired political reform package. (That, the Clintonites retort, is typical congressional whining. "They talk all the time about what they can't do," says Clinton pollster Stan Greenberg. "The president's job is to empower them.")

Beyond the gyrations of news cycles is a larger question: How well is Clinton fitting into his new job and coping with

should use flexible, nonhierarchical styles.

Peanut butter and bananas. That certainly is Clinton's view—and in some ways it works well for him. The good side of his management is that it reflects the prevailing view of corporate America that organizations should be loose, not rigid. Clinton himself will pop into offices to see what's going on, eating a peanut butter and banana sandwich. Says an aide: "Look, this is a White House where 25-year-olds in funky ties sit next to 40-year-old lawyers with suits at staff meetings."

Clinton gets high praise outside the administration for surrounding himself with genial managers like the much liked Panetta and National Economic Council Chairman Robert Rubin. After reading Bob Woodward's *Washington Post* series last fall on infighting on the

the demands of the presidency? Clintonites are wary of early judgments. "If this were a hostile takeover and you just hired a new manager for a multibillion-dollar corporation and you were rolling out new product lines, would you go to the shareholders after 100 days and ask for a report?" asks a senior

administration official. Still, in an interview with *U.S. News*, the president himself ventured that he's doing "reasonably well" on sheer management questions.

It's something he loves to ponder. As the governor of Arkansas, he was enthralled with total quality management, the philosophy developed by W. Edwards Deming, the American industrialist who taught Japanese companies to put customers first, to make their organizations customer driven and their management less hierarchical. This past winter, at the economic conference held in Little Rock, Ark., both the president and Mrs. Clinton not only invited but cornered Max De Pree, who extols a fluid style of management called "Leadership Jazz," to discuss the details of his ideas that leaders

**PLANNING AHEAD
A DISCIPLINARIAN
MIGHT BE PUT ON
THE STAFF UNDER
McLARTY, RIGHT,
AND WITH POWER AS
BROAD AS
STEPHANOPOULOS'S.**

U.S. NEWS

Bush economic team, Clinton told aides that he wanted people who could get along. "I really was impressed by the way all the relevant folks in the White House and all of our folks in the government got together, worked together," the president told *U.S. News* after he recently received a memo from his urban policy advisory group. White House Chief of Staff Mack McLarty upholds the system:

"We need to have a system that lets Bill Clinton be Bill Clinton. I think we've done that."

Clinton is also good at managing the sheer paper flow across his desk. He uses the colored-folder system left by his predecessors: Red marks urgent documents, yellow identifies the least important, with others in between. Except for occasionally lingering over low-urgency folders, Clinton keeps the paper moving. Staffers are instructed to keep memos short and always to give a rundown of the political stakes involved in any decision.

For a man who craves personal contact, Clinton actually does well with memos. "You really don't need a lot of face time to communicate with him," recalls an Arkansas aide. The president fires back memos in an illegible scrawl that domestic-policy boss Carol Rasco and longtime aide Nancy Hrenreich are often called upon to decipher.

The downside of the Clinton management style, of course, is that things are, in the words of one of his allies, "too loosey goosey." For all the talk about jazz, Clinton likes to play solo—choosing to do a lot of the heavy lifting of his administration, like poring over speeches, himself. Taking their cue from the man in the Oval Office, staffers are short on sleep. For the most part, that doesn't matter as much as some commentators have suggested. But many aides attribute the administration's early missteps on gays in the military to post-inaugural exhaustion.

And for all his lachrymose, "I feel your pain" talk, the fear of a Clinton tongue-lashing can affect White House life. Some staffers are reluctant to bring

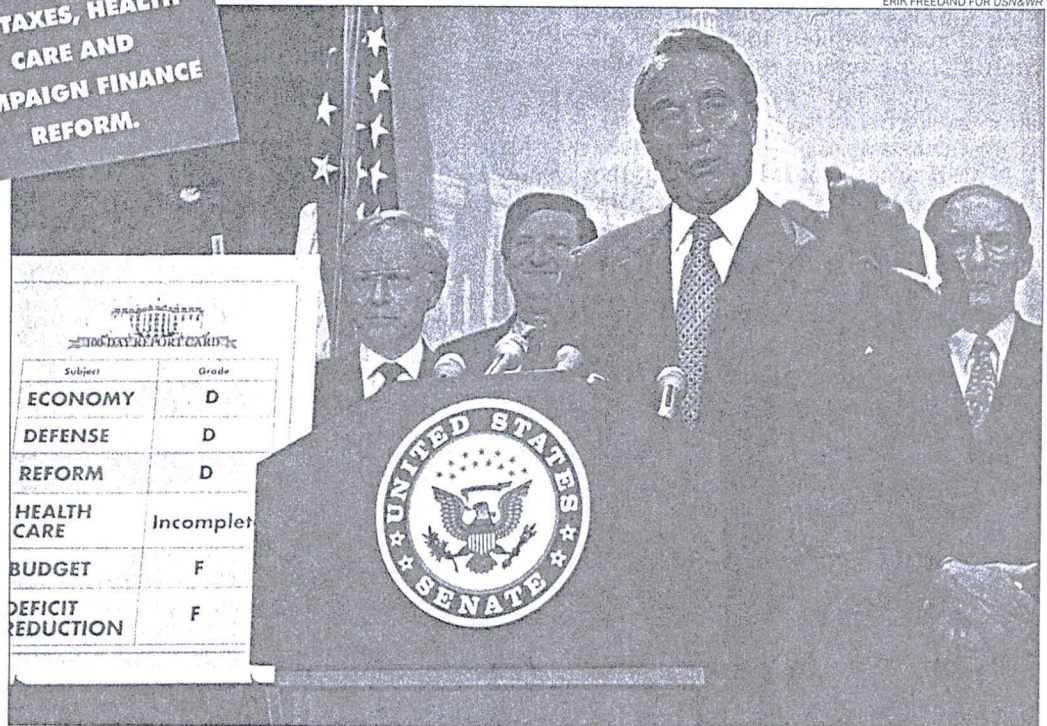
the president bad news and won't even ask him basic questions for fear of seeming presumptuous. It is common for aides to refuse to make a simple phone call to the East Wing residence on a given morning to find out if Clinton plans to jog. Instead, staffers drag themselves to the White House at 6 a.m.—just in case he plans to run—wasting time and energy.

"Diversity jihad." Nowhere, though, have the problems of Clinton's management style been more apparent than in the appointments process. Sure, the Clinton team has kept pace with previous administrations. But it would seem that such an

ments—what one Hill staffer calls "Hillary's diversity jihad"—have turned virtually every appointment into a hunt for minorities. As one person up for an ambassadorial appointment says: "This is the craziest, most bizarre process I've ever been through." In fairness, though, it is clear that many minority appointments, like Housing Secretary Henry Cisneros, are emerging as real stars.

The real consequences of the dearth of appointments are hard to measure. But there have been glitches. At the Justice Department, Janet Reno's and Bill Clinton's plans to turn the agency into an effective vehicle for cracking down on deadbeat dads who default on child support payments can't go any-

CREATING OBSTACLES
LED BY DOLE,
REPUBLICANS WILL
CHALLENGE CLINTON
ON TAXES, HEALTH
CARE AND
CAMPAIGN FINANCE
REFORM.



Filibusterers. Clinton must decide soon about his strategic relationship with Senate GOPers.

activist, pro-government president would demand to have more of his people in place than, say, George Bush. Why so slow?

For one thing, the process is tightly controlled by the White House rather than by cabinet secretaries. And everything leads to Bill Clinton's desk. Presidential appointments are about the only paperwork in the White House that doesn't move through the staff secretary, John Podesta. Bruce Lindsey, the president's close friend and *consigliere*, head of the appointments process, has the freedom to march into the Oval Office and give papers to the president. Second, the FBI checks have moved very slowly. Third, the administration's racial and gender diversity require-

ments until there's a head of the criminal division. And without its own solicitor general in place, the administration may miss opportunities to weigh in on Supreme Court cases to be heard this fall.

When it comes to dealing with Congress, longtime Friends of Bill are at a loss to explain what's gone wrong. In Arkansas, Clinton was a hands-on smoothie who reached out to legislators in late-night phone calls and cornered them in hallways.

But last week, White House aides spent much time locked behind closed doors with angry House Democrats who believed they had been sold down the river by their own White House. When congressional leaders met with

Clinton at the White House last week, they figured they had a deal on campaign finance reform. They were wrong. Most House Democrats argued for keeping the maximum contribution from a political action committee at \$10,000 per campaign cycle in exchange for support for some public financing of campaigns; the House members also wanted to allow groups like Emily's List, which funds female candidates who support abortion rights, to "bundle" contributions—that is, to collect sums from many contributors and then distribute them to candidates. Instead, they discovered the administration wanted to reduce PAC contributions to \$5,000 per election cycle, disallow bundling—and end all lobbyist donations and solicitations on behalf of a candidate. Finally, White House Chief of Staff McLarty ventured to Capitol Hill last week for a blunt session. Most legislators grouched this was not a good augury for the looming health care debate.

A fix-it plan. Not surprisingly, the White House has a plan to seize back the momentum—and like other administrations before them, the Clintonites are hoping that a little better packaging will make things turn out fine. First, as always, will be a charm offensive. Key advisers are urging Clinton to make a "broad and reflective" prime-time television address. Then there is growing likelihood that the rambunctious White House will grow more disciplined. The president "needs to use his time strategically," says a top aide. Adds another: "The White House needs someone to be the Hammer." Among the top contenders for a new "enforcer" job is Political Director Rahm Emanuel.

Of course, the White House is still in its infancy, and officials take comfort from other signs. Americans remain truly interested in politics in a way that they haven't been for a generation. White House mail is running three times ahead of that of previous administrations. People want this president to succeed.

There is a caveat. "Jazz" management expert De Pree says this of Bill Clinton, the disciple he so admires, and others: "When we get promoted [at work], we don't automatically have the competency to do the job, and that's true of the president in spades." If he doesn't grow, there is no doubt more Clinton thunderstorms will shake his jittery staff. And if he's not careful, it's the voters who will unleash the real fury. ■

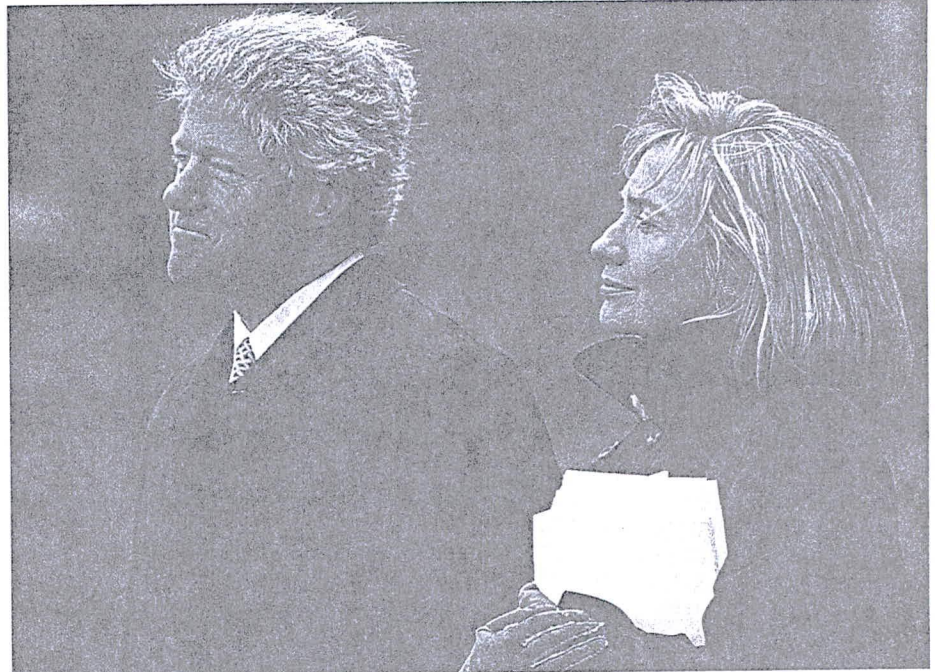
BY MATTHEW COOPER WITH GLORIA BORGER AND KENNETH T. WALSH

■ FAMILY

America's First (Working) Couple

Managing the new strains of White House life

CHICK HARRITY—USN&WR



New insights. *The work has highlighted their differences as managers and politicians.*

During his staff retreat at Camp David last winter, Bill Clinton gave some fatherly advice to his senior policy makers. Don't neglect your families, the president counseled, because not even public service is more important than keeping your spouses and children happy. One staff member said he hoped that in four years he would still know his kids' teachers by name, and the president nodded in agreement. Everyone, Clinton declared, needs balance in life.

That quest for balance is more difficult than ever for Bill and Hillary Rodham Clinton. Despite the advantages of the White House, with its large household staff and perquisites, they still face many of the same problems that other working couples experience in juggling jobs, friends and family. But the new problems and tensions of the White House have highlighted some of their differences as professional managers, as political operatives and

as parents. Like other working couples, they battle with outside interferences to set priorities, they worry about getting time for private satisfactions and their marriage is very much a work in progress. They are constantly forced to make compromises that sometimes leave them with doubts. "We're still trying to get it right," the president told *U.S. News*. "All I can say is that we have really struggled with it, and we've worked at it for 20 years."



**THE NEXT
100 DAYS**

Americans are fascinated with the new responsibilities the first lady has assumed in the administration—and the social change her professional role represents. But the public still accords the Clintons the same high level of good will that previous first families enjoyed. According to a new *U.S. News* poll (table, Page 33), 65 percent of respondents said they admire the Clintons as a family, and 72 percent said Bill and Hillary Clinton are good or very good parents. In broader terms, 54 per-

cent of Americans said the Clintons personally understand the problems average families face, such as having enough time together and the difficulties of raising a child. Yet there is a limit to Americans' tolerance for an independent first lady. Fully 65 percent of the public says she should voice her opinion when she disagrees with her husband. But only 39 percent think she should go public with her dissent; 55 percent say she should keep it private.

What strikes White House staffers most dramatically about the first couple is how distinct their personal styles are. Mrs. Clinton is, by most accounts, the superior administrator, watching over many details and keeping her schedule punctual. The president, one key adviser says, is "loosey goosey." He's habitually late and often draws sharp comment from his wife about his tardiness. At meetings, Clinton loves to prolong and encourage discussion. Mrs. Clinton, by contrast, doesn't like meetings to run on too long, and prefers to narrow the discussion more quickly and give out assignments for follow-up.

As with other working couples, a fundamental part of the Clintons' balancing act is dividing up responsibilities for child rearing. And it turns out that the couple is more traditional than Americans might think. It is Hillary Rodham Clinton who is the main nurturer of 13-year-old Chelsea. Mrs. Clinton, like most mothers, often finds herself deferring her work responsibilities to take care of her child. Chelsea, in the manner of most kids with working parents, calls her mother when she gets home from school every day, generally between 3 and 5 p.m., depending on whether she has soccer or softball practice. After the call, Mrs. Clinton takes a five-minute walk to the East Wing residence to spend a few minutes with her daughter. They chat about Chelsea's activities, how the day went and what homework she has to do that night. Then the first lady returns to work, leaving her daughter under the supervision of the household staff.

But like most mothers, Mrs. Clinton will drop everything for her daughter. When Chelsea came down with a cold a few weeks ago, the first lady went home

to make scrambled eggs and applesauce for her in the private kitchen of the residence. When Chelsea got a day off from school during a winter snowstorm, her mother made the most of the opportunity. "I'm going to spend the day with my daughter," Mrs. Clinton announced to aides. They stayed home and cooked a light lunch of soup and sandwiches, played cards and watched the movie "Swing Kids" in the family theater.

Not that Bill Clinton is uninvolved in



Pitching. Americans are fascinated by her new role.

his daughter's upbringing. He and Mrs. Clinton rise each morning at about 6 to see Chelsea off for her 10-minute chauffeured drive to the exclusive Sidwell Friends School. The president often hangs around the kitchen, holding a steaming cup of decaffeinated coffee and leaning on a counter or a chair, while Chelsea gets her schoolwork together. "It used to be that the mornings were the best time for Chelsea and me," Clinton told *U.S. News*. "At least I would always take her to school. But now that's not practical. I mean, I could do it, but it would be terrible for her. It's no fun when you're 13 to be taken to school by a caravan. But now we can at least meet at home at night."

Family time. Soon after his inauguration, Clinton told aides he wanted to get home about 7 p.m. every night for dinner with his wife and daughter. Mrs. Clinton says these evening meals have become vital emotionally to all three of them, especially during the last two harrowing weeks. "You know," the first lady told *U.S. News*, "we've worked

U.S. NEWS POLL ON THE FIRST FAMILY

The Clintons, like all first families before them, are pretty widely appreciated

■ AMERICANS WHO ADMIRE BILL AND HILLARY RODHAM CLINTON AS A FAMILY

A LOT	35%
SOMEWHAT	30%
A LITTLE	11%
NOT VERY MUCH	15%

■ AMERICANS RATE BILL CLINTON AS A FATHER ...

VERY GOOD	22%
GOOD	50%
NOT SO GOOD	5%

■ ... AND HILLARY RODHAM CLINTON AS A MOTHER

VERY GOOD	25%
GOOD	47%
NOT SO GOOD	7%

■ PERCEPTIONS OF HILLARY RODHAM CLINTON'S POWER

TOO MUCH POWER	37%
RIGHT AMOUNT	51%
TOO LITTLE	4%

■ DO THE CLINTONS SET A GOOD EXAMPLE AS ROLE MODELS FOR THE COUNTRY?

VERY GOOD EXAMPLE	14%
GOOD EXAMPLE	60%
NOT A VERY GOOD EXAMPLE	20%

■ ON POLITICAL ISSUES, HOW DOES HILLARY RODHAM CLINTON STAND IN RELATION TO BILL CLINTON?

MORE LIBERAL	28%
ABOUT THE SAME	48%
MORE CONSERVATIVE	12%

■ IMAGINE PRESIDENT CLINTON SITTING IN THE OVAL OFFICE. HE FINDS THAT BOTH RUSSIAN PRESIDENT BORIS YELTSIN AND CHELSEA CLINTON ARE WAITING FOR HIM ON THE PHONE. WHOSE CALL WOULD HE TAKE FIRST?

BORIS YELTSIN	57%
CHELSEA CLINTON	32%

NOTE: *U.S. News* poll of 1,000 registered voters conducted by Colinda Lake of Mollman-Lazarus-Lake and Ed Goas of the Tarrance Group on April 20, 1993. Margin of error: plus or minus 3.1 percent. Percentages may not add up to 100 because some respondents answered "Don't know."

■ U.S. NEWS

really hard to establish some time in the evening so that when we have dinner together, it's a real family time and not something that is structured. And we also try to spend time afterwards just talking, finding out what's going on and helping with homework and just really being with each other."

After dinner, Bill Clinton often pads down to the Oval Office wearing jeans, sneakers and an open-collared work shirt, and sits at the big desk that John F. Kennedy used, *doing paperwork* and making phone calls. Clinton loves the fact that next door, in the small study where George Bush ran the Persian Gulf war, Chelsea will sometimes do her homework, sometimes shouting a question about an algebra problem to her Dad.

Back to the books. The president allows his daughter the run of the White House. As he presided over a senior staff meeting in the Roosevelt Room just prior to announcing his choice for attorney general, there was a knock on the door and Chelsea walked in with a puzzled look on her face. She told her father she was having trouble, again, with some math problems. The president said he'd be glad to help but asked Chelsea to come back in a few minutes. He left the room to announce that he would nominate Miami prosecutor Janet Reno to run the Justice Department, then returned to help with Chelsea's homework.

Child rearing, of course, is only part of the challenge of any working couple. Like millions of other Americans, the Clintons also work to maintain their marriage partnership. They rarely see each other during the day, although their offices are only one floor apart. But they often exchange phone calls—up to a dozen a day, mostly initiated by the president—to check up on projects, talk about Mrs. Clinton's health care task force, or more likely, to chat about personal matters such as Chelsea's day or which friends to have over for dinner that night. "Sometimes, I just pick up the phone," says the president. "I just get lonesome in there, some-

times, if I've taken a good whipping or something."

Many rumors have swirled around Washington that the Clintons fight furiously when they are alone, even that Mrs. Clinton hurled a lamp at the president in anger. Some White House insiders and family friends acknowledge that the two do lose their tempers—they have for years. But intimates say their



Some solace. He says she helps him cope with Washington.

spats typically flash, then quickly fade, and Mrs. Clinton does not throw things at her husband. "Do they argue?" says a friend. "Sure they do. It's over who will supervise Chelsea's friends when they come over, or how to stop phony Secret Service leaks about what's going on between them or the way the White House is running. It gets intense. They are both very intellectually competitive people."

It appears, friends say, that whatever serious trouble they may have endured in their relationship was resolved long ago. During the campaign, Bill Clinton admitted causing "pain" in his marriage, which many took to be an admission of past adultery. The Rev. Ed Matthews, Mrs. Clinton's pastor at the

First United Methodist Church in Little Rock, argues that Mrs. Clinton grew stronger from the campaign ordeal. "I've felt that she has developed a graciousness from the destructive blows that she and Bill weathered in the campaign, particularly as related to charges of marital infidelity," says Matthews. "It caused her to grow."

Matthews recalls that when the Clintons attended services at First Methodist early in the campaign, handbills appeared on cars in the parking lot alleging that Bill Clinton had fathered a black child. The minister asked Mrs. Clinton how she was dealing with the accusations, especially the knowledge that Chelsea's schoolmates might tease her about them. "We try to help her love people," Mrs. Clinton replied. "We try to teach her that people don't always know what we know, that they don't have all the information we have. But we don't hate them."

Building pressure. But the stresses of political life, especially the past three months, are taking a toll. When Bill Clinton arrived in Little Rock to help plan his father-in-law's funeral several weeks ago, he asked Matthews to join the grieving family at the late Hugh Rodham's home. On his way over, Matthews heard a scathing radio attack on the president by conservative commentator Rush Limbaugh, and during a 90-minute visit with the first couple, he asked how they coped with such relentless criticism. The president paused and said sadly that the vitriolic atmosphere in Washington hammers away at him and his family. But he added that he still found solace in his wife, daughter and friends, and he was determined not to let the pressure of the White House change his commitment to those closest to him.

The president made the same point in his interview with *U.S. News*: "Hardly anybody ever said on his or her deathbed, 'I wish I had spent more time at the office.' I think that work is very important, and obviously the work in which we are engaged is supremely important to us. But all of it only counts insofar as it enables you to live a better life... be a better person. So if you sacrifice all those basic things to the work, it's just not worth it."

BY KENNETH T. WALSH

WORK IN PROGRESS
SHE'S A BETTER
ADMINISTRATOR
THAN HE IS AND
SHE STICKS MORE
RIGOROUSLY TO
HER SCHEDULE.

'Don't sacrifice your basic relationships'

The Clintons on life as a working couple

Bill Clinton and Hillary Rodham Clinton recently talked about how they balance their work and their family life in a joint interview with U.S. News White House correspondents Kenneth T. Walsh and Matthew Cooper. Excerpts from their conversation:

On staying in touch with each other.

The president: We talk to each other during the day, sometimes up to a dozen times. Sometimes, I just pick up the phone. I just get lonesome in there, sometimes, if I've taken a good whipping or something. You know, the one thing I never did before I came here is have lunch regularly. I always just worked through lunch 4 out of 5 times unless I had a speech or some working lunch.



**THE NEXT
100 DAYS**

Now, it's really quite nice to be where I can see Hillary.

Dividing responsibility for Chelsea.

Mrs. Clinton: Well, she comes over to see us and, on a few occasions, brings her homework. He's the algebra homework.

The president: I do the math.

Mrs. Clinton: Yes, he does the math. That's absolutely his domain. And then, depending upon what's going on, we'll check in to see what she needs. And maybe she'll call and say, "I want to go to a friend's house." And then we try to meet her new friends here. We've had girls over for meals and for overnights, and we both try to be there when that happens so that we can meet the parents as they pick them up and drop them off. I got to go to two soccer games, and the softball games keep getting rained out, so I haven't gotten to those yet. What we try to do is to schedule this time at night to know that we're going to have dinner together and know we're going to spend time together. She and her Dad like to watch terrible movies together.

The president: After Chelsea did her homework, she came and we watched



DAVID BURNETT—CONTACT FOR USNEWS

At ease. "A lot of people can't even have this debate."

the end of a James Bond movie. She made fun of her mother, who likes Sean Connery.

Mrs. Clinton: Yes, I like Sean Connery. Yes, that's from my youth.

The president: Recently, after she finished her homework, she came into my office and we watched the end of the incredible game between the Philadelphia 76ers and the Portland Trail Blazers. The lead changed hands three times in the last minute. That was unbelievable. After that, we played crazy 8s for a while and then had 20 minutes just talking.

Chelsea's 13th-birthday weekend.

Mrs. Clinton (who refused to disclose the place where she suggested some of the girls hide during a hide-and-seek game): That's top secret. Classified!

The president: I really liked when she had all those girls over. That was great.

Mrs. Clinton: Of course, they all stayed up all night long. It was wonderful, except we're too old for that anymore.

Advice for working people.

The president: All I can say is that we have really struggled with it, and we've worked at it for 20 years. And sometimes we've been better at it than others. Some guy said to me four or five years ago: "Hardly anybody ever said on his or her deathbed, 'I wish I had spent more time at the office.'" I think that work is very important, and obviously the work in which we are engaged is supremely important to us. But all of

it only counts insofar as it enables you to live a better life. A lot of people in this country today can't even have this debate.

I think about how hard it is for us just to take time out for each other or take time out for our daughter. And then I think about all these people out there where it's not even an option. Just to stay alive, they have to give up everything that's personal to them. For people who have the options, I would tell them: You shouldn't sacrifice the things that make your life unique, that nourish your personality, your basic relationships.

Mrs. Clinton: I always feel kind of presumptuous to give advice. We lead a life that in many ways is like the lives of

other people who are working and raising families, but it obviously is very different. And I think the real heroes of America are those people who struggle against a lot of odds to keep their families together and to support their children in school, send that child out of that door every morning knowing that there's violence in the streets—all kinds of dangers—and try to provide a safe haven for their child even though they have to work. And I think single parents particularly are overcoming extraordinary obstacles.

And part of what motivates Bill every day is that he wants to live in a country where we don't have so many people who have to worry about that, because he thinks it'll be better for our daughter. So it's really important to us that families be given the kind of support they need and that adults take more responsibility for their own children and recognize the relationship between their own children's lives and the lives of all these other kids around them. ■

Grim fairy tales about health costs

What's the price tag for Bill Clinton's health reform plan? The numbers now floating around range from merely eyebrow-raising to positively heart-stopping. Low estimates suggest the plan could cost government and businesses \$60 billion a year; the highest projections exceed \$140 billion. But in truth, most of the numbers now circulating fall somewhere between *scientific estimates* and wild guesses. If recent experience is any guide, the danger lies on the side of low-balling them. In just one example of missed health spending targets, congressional budget analysts underestimated federal outlays for the Medicaid program by nearly \$11 billion in fiscal 1992 alone.

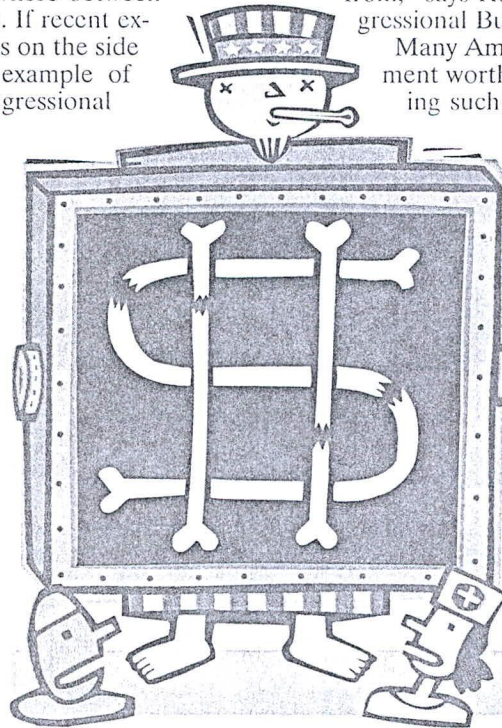
There is a range of reasons why health reform's costs are so uncertain, despite determined efforts by the administration to make accurate predictions. One is that Clinton's plan is still several weeks from delivery, and the president hasn't yet made final decisions about its timing and scope. A second, broader reason is that reform promises to rewrite the rules of the health system in dramatic new ways. The result is that huge pots of money could be pushed around the economy, imposing steep new costs on some players while alleviating the burden on others.

Consider Clinton's desire to extend health coverage to an estimated 37 million uninsured Americans. Many small firms that don't insure their employees now would face new costs from a proposal requiring them to contribute to covering their workers. State governments, on the other hand, could be granted relief as their need to subsidize care for the uninsured diminished. Millions of newly insured individuals might or might not win big; their out-of-pocket health costs could fall drastically, but their future wages might not grow much as their employers began paying for health insurance. *And large new costs* would be shifted to the federal government—read taxpayers—through subsidies granted to small business and to coverage for the unemployed.

Tabulating a bottom line amid all these complex changes would be hard enough. But in addition, the results could be influenced by giant shifts in economic incentives under Clinton's "managed competition" plan. As so-called fee-for-service medical care, where doctors are paid for each service they perform, is gradually replaced by more "prepaid" systems like health maintenance organizations, skyrocketing medical prices and services might

well be constrained. That would save money for everybody who pays medical bills—but this assumption is based more on hopeful theory than on experience. "At some point in health reform, we're going to have to close our eyes, cross our fingers and jump—hoping that we land in a better environment than the one we jumped from," says Robert Reischauer, director of the Congressional Budget Office (CBO).

Many Americans might find this kinder environment worth higher taxes or other costs—embracing such features of Clinton's plan as guaranteed health coverage even if they lose their jobs. But the projected price will clearly be the focus of the political battle over the president's reform package once it reaches Congress. As the debate unfolds, it will be worth remembering a fourth reason why these costs will be so uncertain: In the land of health care, the Law of Unintended Consequences is king. To underscore that truth, here are two grim tales about where the money went, drawn from American health policy's Hall of Shame.



'We may low-ball the costs of Clinton's health reform plan.'

Medicaid's leaking money mill. Experience suggests that when pots of money are pushed around the health care system, they can spring giant leaks. A memorable recent episode involves Medicaid, the federal and state program designed to cover the poor. For starters, a 1989 federal law ordered higher Medicaid payments for hospitals that served a "disproportionate share" of poor patients, on the ground that these institutions couldn't offset the program's low rates with lucrative

fees from private patients. Federal outlays for these payments have grown from \$400 million in 1989 to \$17 billion this year, notes Thomas Scully, formerly a top budget official in the Bush administration.

Faced with declining assistance from the federal government since the Reagan administration, moreover, a handful of states have used Medicaid to play fiscal shell games with Washington. They began by imposing new taxes on hospitals to help finance state outlays for Medicaid. Then they used those higher outlays to secure bigger Medicaid matching grants from the federal government. Later, they turned around and paid the hospitals higher fees for treating Medicaid beneficiaries—and in the process, freed up state revenues once spent on health care for other purposes, like building highways. The end result: Total state and federal Medicaid spending grew 30 percent in 1992. And in just one year, federal costs for the

program rose \$10.8 billion more than CBO had predicted.

A 1991 federal law appears to have ended this Medicaid scam. But do the odds favor leaks springing up elsewhere in a revamped health system—especially one in which the federal government would pick up a far greater share of total costs? New health spending controls that Clinton is considering—probably annual limits on the allowable rate of growth in all health insurance premiums—could make it less likely that the federal spending stream would also overflow its banks. “One shouldn’t view [health reform] as a fiscal crapshoot,” argues Brookings Institution economist Henry Aaron. But it’s not yet fully clear how Clinton intends to enforce his proposed limits on health spending. As with Medicaid, only hindsight may provide a clear picture years after reforms go into effect.

Benefits that knew few bounds. A second cautionary tale suggests that although the government can prescribe health benefits, other forces may expand them even further—and the health care industry will always reconfigure itself to take full advantage of them. A classic example is a tiny slice of the Medicare program: coverage for people who need post-hospital care in so-called skilled nursing facilities (SNFs). This SNF benefit cost the federal government \$964 million in 1988; one year later, it had jumped to \$2.8 billion. In 1992, its cost reached \$2.95 billion—an increase of more than 200 percent in just four years.

What happened? In the 1980s, a lawsuit brought on behalf of Medicare beneficiaries charged that the federal government was unfairly denying coverage for physical therapy offered in nursing homes. The federal court decision in the case required Uncle Sam to spell out in detail what would be covered under the SNF benefit; the long itemized list that followed, covering such services as daily injections, was an open invitation for both providers and patients to apply for reimbursement. Later, nursing homes and hospitals added thousands of new beds to take advantage of a further boost in SNF coverage under the ill-fated Medicare catastrophic-coverage law. That law was later repealed, but providers have still managed to fill these beds handily; indeed, since 1988, the number of days spent in nursing homes and paid for under Medicare has doubled.

This story sends chills up the spines of many economists contemplating Clinton’s forthcoming “core” benefits package—a generous list of covered services that would become the basic standard for private and public health insurance. Under varying proposals, these benefits would be spelled out either by Congress or by a new National Health Board, but either way, that would hardly be the end of the story. As medical technology advanced, the package would doubtless be expanded further; moreover, there could be endless litigation over minuscule details of what is and isn’t covered. As with the SNF benefit, court decisions could ulti-

mately drive costs skyward, colliding with the health spending ceilings in Clinton’s plan.

The past may not be prologue. Chary about these past excesses of health spending, Clinton’s health reform task force has devoted considerable brainpower and computer analysis to projecting the costs of his plan. Even so, the numbers may be only educated guesses, partly because these analysts have had to draw on health care studies and other data dating back as much as 15 years. One example is a massive Rand Corp. study about health care utilization in HMOs that was conducted in 1977. Clinton’s economists have drawn on this study to forecast spending patterns under the “managed care” health insurance plans expected to proliferate under health reform.

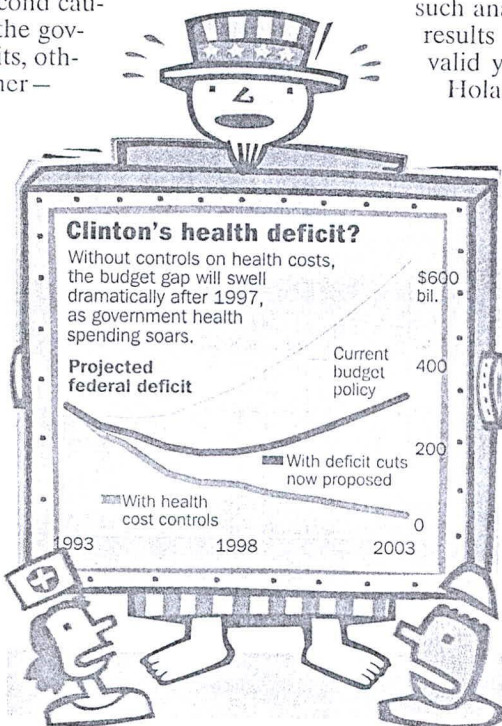
But “garbage in, garbage out” is the rule behind any such analysis—and it’s not at all clear that the results that flowed from such studies are still valid years later. Health policy expert John Holahan of the Washington-based Urban Institute notes that the Rand study

demonstrated that HMOs mainly saved money by eliminating unnecessary hospital stays. Now, in the 1990s, such lower rates of hospital use are commonplace throughout the health care industry. It’s simply unknown how much more in savings could be gained through broader use of HMOs and related health plans. Recently, differences have erupted among budget analysts like Reischauer—who decline to factor such savings into their cost estimates—and advocates of managed competition like Stanford University economist Alain Enthoven, who maintain that the new system will squeeze out billions of dollars’ worth of unneeded care.

Whatever the short-term costs inherent in gearing up for Clinton’s plan—for example, in extending coverage to the uninsured—it is these long-term savings that will matter the most. Current projections show that health spending will rise from 14 percent of gross domestic product to 19 percent by the end of the century. Over that same period,

Medicare and Medicaid will more than double in size; by 1995 alone, federal health spending will exceed any other type of government spending, including defense or Social Security. A health reform plan that managed to keep national health spending to around 16 percent of GDP could save as much as \$4 trillion by the year 2000 and tens of trillions of dollars in the next century.

Clinton’s plan may well prove to be the only set of proposals likely to come close to achieving that goal. Its three-step plan could be just what the doctor ordered—first, by bringing all Americans under health coverage, then fostering real price competition among insurers and providers and imposing new limits on health spending. With such a broad attack on rising health costs, there’s always a chance that the grim fairy tales about past spending excesses won’t repeat themselves. But just in case, we ought to keep our fingers crossed. ■



'Generating long-term health savings is what matters most.'

93/11484

Código CVO Panel Ingreso De Datos Fecha 03-JUN-1993

Nip 93/11484 - - Hora 16:50 Tipodoc INF Caracter - - - - -

Numdoc - - - - - Fechadoc 03-JUN-93 Destinatario CBE

Firma Patricio_Silva_Rojas - - - - - Sexo - -

ARCHIVO

Institución o Ministerio_de_Salud - - - - -

Dirección - - - - - Región RM - -

Ciudad Santiago - - - - - País CHI

Derivada CBE Fecha 03-JUN-93 Nop - - - - -

Necesita Respuesta S

Nop Relacionado

Resumen ENVIA_FOTOCOPIA_DE_REVISTA_"U.S._NEWS",_SON_2_EJEMPLARES. - - - - -

Next Screen para Realizar Derivaciones Externas

Transaction completed -- 1 records processed.

Char Mode: Replace Page 1

Count: *0

Recomendame:

1. Pedir sostituir una Comisión por estudio
el problema futuro de Alcohol.

Recebir



al Sr. Carlos Borcino
c.c.

DR. PATRICIO SILVA ROJAS
Subsecretario de Salud

FONOS: 333778 - 394683
FAX: 02 - 384377 - 333778
TELEX: 240456 MINSA CL

MAC IVER 541
SANTIAGO-CHILE