

## **President Clinton's Health Care Reform Proposals of 1994**

By James P. Pfiffner

The major legislative initiative of President Bill Clinton's first year in office was the reform of the United States health care system. As Clinton had argued in his campaign, 37 million Americans were without health care insurance, and the United States was unique among modernized democracies in its lack of universal health care coverage for its citizens. Thus, in late January 1993, President Clinton announced a major Administration health care policy initiative that would be headed by Hillary Clinton. He gave the task force a 100-day target to produce the Administration proposal.

Although the group was not ready with a plan within 100 days, by the end of May it had talked with more than 500 separate organizations and had held several hundred meetings with Members of Congress. Despite the felt need to move quickly with one of its most important priorities, the Administration proposal was not ready for several reasons. The task force could not come to terms with the concerns of Clinton's economic team—who thought that sweeping changes might cost too much and favored a more incremental approach.

Clinton finally gave his key kick-off speech on health care to Congress on September 22, 1993. The speech spelled out the principles of universal coverage and managed competition; it was a great success with Democrats in Congress and in public opinion. A majority of the public approved of the President's plan in October 1993. Hillary Clinton received a respectful (Republican) and enthusiastic (Democratic) reception when she went to Capitol Hill to testify for the Administration's health care package. But the actual text of the bill was not yet ready and did not make it to the Hill until October 27.

President Clinton had considered and rejected a single-payer plan (as Canada has) because it seemed too much like “socialized medicine.” He thus decided that his plan would rely on private insurance companies and employer mandates. But in order to guarantee that those without insurance would be covered by competitive prices, it would be necessary to create health insurance cooperatives from scratch.

### **Universal Coverage**

Clinton argued that the bottom line of his health care plan was universal coverage, and he threatened to veto any bill that did not provide it. Although the added coverage would be expensive, the cost for the poor of a lot of treatment in emergency rooms was more. But the combination of universal coverage with cost control—two essential elements of the plan—necessarily entailed some coercion. This came in the form of premium caps, mandatory participation in the cooperatives, and mandates for employers to purchase coverage.

These factors added up to a bill of sweeping scope and complexity. The United States had a mixed system of health care, with most doctors and insurance companies in the private sector, and with the federal government financing Medicare and Medicaid. Combine these realities accepted by Clinton, with his goals of universal coverage and cost containment, and you have inherent complexity and some government coercion in any plan to deal with all of these factors at once.

To ask for a simpler approach would mean abandoning some major elements of the plan. So the complaint of complexity, while true, was not so much the issue as were the major parts in the plan. No one else came up with a simpler idea that would accomplish all of the goals of the Clinton plan. Nevertheless, the complexity issue did play a major role in its defeat. But the complexity was real in that the proposed changes would have resulted in huge alterations affecting up to one-seventh of the U.S. economy—changes that would have entailed many unintended consequences. Even though most of the elements of the package already existed in various forms (employer provision of insurance, cost controls through Medicare, managed care, HMOs, etc.), the combination of all of the elements into a sweeping overhaul of such a large portion of the economy was unacceptable to the U.S. political system in 1994.

In December 1993 allegations about the Clintons’ investment in the Whitewater development were raised in the press. The possibility of shady or illegal activities on behalf of the Clintons in Arkansas, and the Administration’s inability to defuse the issue, rose to the proportions of a major scandal in the spring. The unproven allegations undercut the confidence of the general public in the President, and Clinton’s approval ratings began to fall from the almost 60 percent level he had at the end of 1993.

### **Too Large, Too Complex**

At the same time Republicans were able to label the health care plan as too large, too complex, too costly, and too much government. Public opinion about the health care plan was crucial and began to shift in the spring of 1994 as the majority who had approved of the plan became the minority. There may have been a public consensus that health care needed

fixing, but there was no consensus on how to fix it.

The complexity of the plan meant that citizens would have to trust the President's judgement that it was good for the country. Thus when the Republicans were able to frame the issue as one of trust in President Clinton on the policy issues, and trust of the federal government on the implementation issues, the answer to the American public was obvious. Interest groups were mobilized in opposition to the Clinton plan.

The Administration was criticized for adopting a partisan approach to the health care bill. The criticism is legitimate, but it is not clear that there ever was a bipartisan coalition that could have been forged to pass a bill remotely resembling the principles laid out in Clinton's popular speech of September 22, 1993.

The failure of the health care campaign highlighted several things. Clinton did not completely understand his vulnerability on the Hill with such a huge piece of legislation. With a 43 percent plurality in the 1992 election, a divided Democratic party, and a contentious and intractable policy issue, how could he have expected to win? The consequences of the failure were the loss of the Administration's major policy initiative, as well as the loss of a number of other bills that were pending in Congress when health care went down.

In sum, health care reform failed because of divided Democrats, emboldened Republicans, high interest group spending against reform, an overly ambitious proposal, Clinton's 43 percent plurality, declining public approval, the Whitewater scandal, the complexity of the proposals, and the resistance of Americans to large governmental programs in the 1990s.

We can learn from the health care experience that large-scale, complex, and costly changes in public policy must have broad-scale support and be developed in close cooperation with Congress. Policy changes may be perceived as expanding benefits, but will lose support if they are seen as potentially taking away benefits from powerful constituencies.

