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INTERVIEW OF THE FIRST LADY
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MRS. CLINTON: -- Blue Cross-Blue Shield plan.

Now, if I choose an HMO, I am going to save some money. And maybe that's my choice. But if I don't want to, I don't have to. So the President and I usually end up choosing the Blue Cross/Blue Shield where we can go anywhere. We pay more for it, but that's our choice.

That's exactly what we want to provide for Americans. And so the alliance or the co-op to pool your money is merely a receiving vehicle. Every health plan -- if you are in New York, if there is a health plan in Maine that wants to affiliate with New York hospitals, it can bid for your business, and you make the choice.

Q But the guarantee -- what you should be saying, to be perfectly honest, am I right, is that you will have as much choice as you have now, and more, but not absolute freedom of choice?

MRS. CLINTON: No. But we don't have that now.

Q I understand that. But I don't think --

Q This is the most misunderstood aspect of the plan, I think --

MRS. CLINTON: I know it.

Q And the most frightening --

Q -- and whether people are going to be able to have their own doctors.

MRS. CLINTON: But, again, you are --

Q I know doctors who say, "I'm going to leave the

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country. I'm going to go to" --

Q But your doctor's concern with the bureaucracy is going to come in even more --

MRS. CLINTON: Yes.

Q -- and squeeze them even harder.

Are they right, it will be a government bureaucracy instead of just an insurance bureaucracy now?

MRS. CLINTON: Well, they are not right. But doctors right now are seeing the nature of their practices change in front of their very eyes because of changes in the market. And they are seeing insurance companies assuming more and more control over what they can and can't do. Doctors are having to call up insurance company bureaucrats and ask permission to run a test on a patient, because if they don't get permission, they don't get paid for it.

All of this is happening against a backdrop in which doctors have less and less control over their practices. And what we are trying to do is give more control back to doctors so that doctors can be making a lot of the decisions that they don't get to make right now, that instead are made by insurance companies.

And it will not be a government bureaucracy because the health plans will still be privately run. I mean, you'll have a Mt. Sinai health plan, or you'll have a Cornell University PPO, or whatever. And that's the choice you'll make.

When I sign up as a dependent of a federal employee for my health plan, I am not signing up for government health plans or government doctors. And the only way that the government enters into it is to set up a more competitive and fairly-run system. But the health care is going to continue to be delivered by the very people who deliver it today.

What's happening is doctors are being given as much misinformation as the general public; that most doctors who have sat down and studied it come away with, I think, an appreciation of what we are trying to do for them if we can just get the chance to actually talk to them. And that's what we are trying to do in a more organized fashion.

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Medical school enrollment is up. It's up to its highest that it's been -- I was told yesterday -- in 20 years. So it's not true that we are losing interest. In fact, you are having more and more bright students deciding to go into medicine in part, we think, because reform looks like it's going to reverse some of the trends that existing doctors find most burdensome.

Q But do you know how many of those are going to be general practitioners?

MRS. CLINTON: Well, more of them need to be.

Q Yes --

MRS. CLINTON: The other thing you are probably also picking up is that we are going to start to change the way Medicare funds medical education. Because right now Medicare basically funds most specialty and subspecialty training, and has for the last 20 years.

Q And not family care.

MRS. CLINTON: Yes, and no family care. And not just family physicians but no pediatricians, fewer OB/GYNs than we need, fewer internists.

So many specialists feel threatened because they say, well, gee, you know, I like being a thoracic surgeon, and it's not fair that they are going to spend the money to make more general practitioners. But if we don't do that, we have an increasing imbalance.

Right now our medical community is 70 percent specialists, 30 percent generalists. The current trend unchanged, based on who is in the pipeline in medical school and residency, is 85 percent specialists, 15 percent primary care.

Part of the dilemma we face as a country is, how do specialists get paid? They get paid on how many procedures and tests and operations they perform. They are the largest of the piece-work people in America.

Take a bypass operation as an example. Somebody goes to their surgeon and examines them, and it's a borderline case. They may or they may not need a bypass.

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You could call it either way. If the surgeon turns him away in today's marketplace, he basically takes money out of his own pocket.

So many more operations -- C. Everett Koop says \$200 billion worth of procedures -- are performed unnecessarily because of financial incentives. Now, this doesn't mean that you have got bad doctors.

But, unlike Mayo Clinic, where you are on a salary, so if you come to the surgeon, the surgeon doesn't take money out of his pocket when he says, "You know, I'd like you to change your nutrition for six months and see whether we can reverse your blockage."

Here, if you go to Park Avenue -- just take an example -- where he is paid on a fee-for-service basis, he sends you away, he may not meet his overhead that way. I mean, that's a harsh thing to say, but that's the kind of system we have created and put on top of doctors.

So you add the piecework mentality and payment system to the increasing market pressures from insurance companies and for-profit hospitals and HMOs, you can see why there is a lot of concern out there. And it has nothing to do with reform.

Q Not to mention malpractice.

MRS. CLINTON: Yes, not to mention malpractice and defensive medicine.

Q What about along with that not exactly triage, but the feeling that older people are not going to get operations and things because they can't afford it? And forget about premature babies, both ends of the spectrum. I hear a lot about that.

MRS. CLINTON: And that is just so unfair because right now we ration care every single day in America. And we do it on the basis of who can pay for it.

And what we are trying to convey is that we already have in our medical system more than enough money to take care of the legitimate health needs that people have. But we don't allocate it right. And so, as a result, you don't pay for prenatal care that can prevent a lot of prematurity. But

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you pay for intensive care for the premies. I mean, it's nuts. We are literally throwing billions of dollars down a black hole.

And part of what our whole message is to the medical community, as well as to all of us who are potential patients, is that if we stop for a minute and carefully analyze how we spend our medical dollar, we will find that we spend about 20 to 25 percent of it on paperwork and administration that has nothing to do with health care.

We spend about another 15 to 20 percent of it on unnecessary procedures, on waste, fraud and abuse, on malpractice. Has nothing to do with legitimate health care.

So we are down to spending about 50 cents on the dollar to actually keep people healthy and make them healthy once they are sick.

And we are nearly spending 15 cents out of every dollar that we spend in America on everything, on health care. Our nearest competitor spends less than 10.

So we are not only wasting huge amounts of money, we are not getting the best health outcome that we would get if we spent our money on preventive care and on actually making sure people got the health care they needed, but not what they didn't need.

I would argue that if we spent our money more rationally more people would be taken care of. Not fewer.

Q On the issue of money there has been, as you know, a lot of (inaudible) recently about the rate of increase has slowed so dramatically. Does that undercut your argument, does it lessen the sense of urgency that the administration has been kind of trying to stir up among the public? And (inaudible) may think, oh, it's really not so bad. Why do we have to go through a wholesale change of the system?

MRS. CLINTON: There is two things about that. One is that always happens whenever there is a threat of reform.

If you go back and look --

Q That may be true, but does it alter the public

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perception of what's needed?

MRS. CLINTON: It may, but it does so only if people don't know what's really going on.

But if you go back and look at Carter's threatened health care reform, Nixon's price controls, in the face of any kind of potential government action this market, which is not a market, turns on a dime and starts lowering prices. And then as soon as the pressure is off, it goes back to the ceiling. So that's the historic (inaudible) of this.

But there is another piece to it, which is that if you look behind those statistics, it is true that government and large employers have been able to negotiate either stable or actually slightly decreased rate increases. That's the good news.

The bad news is in the last year and a half you've had an increase in the number of the uninsured, you've had an increase in the number of the underinsured, people who may still get their benefits at work, but they now have to pay a \$5,000 deductible. So in effect they are not spending money on health care. And it's like a little time bomb that's waiting to explode.

So that the structural causes for increased prices are still alive and well. There have been very few significant changes, that you could point to, that will sustain themselves over time.

If you look at this little article that I brought along, later, I believe this is absolutely right. Because what it says is that if you take the changes in the market and you say, well, let's not upset the apple cart, let's do a few little changes around the edges, in the absence of changing the incentives for how medical decisions are made, you will continue to have increasing prices and an increasingly unstable financial base for most health care.

If you go to King's County in Brooklyn, where I went a few weeks ago with Senator Moynihan, that's going to implode on itself if you don't have universal health care coverage that you can use to provide a stable financial base for the biggest health care provider in that borough.

There is nothing in the marketplace that's going on

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now that will help that. And why does it matter to people like us sitting around this table? Because if Kings' County, and places like that, which will be the first to feel the continuing cost pressures, begins to collapse, there is a ripple effect.

Every time you increase the uninsured, you increase the potential for public health epidemics like the TB ward I visited in King's County. That doesn't stay confined among the poor and the uninsured. That has all kinds of public health implications that reach the rest of us, and it's like a spiral.

Q If your basic (inaudible) on those questions is an economic one, what are the reasons you decided against a single-payer system?

MRS. CLINTON: That's a very good question. There are really two categories of reasons. The first is substantive, the second is political.

Let me just say something on the substantive basis for first. Single-payer does a lot of the things we are trying to do, as you all know, and achieves universal coverage, eliminates the insurance abuses. But there are built-in cost pressures in single-payer systems that are difficult to deal with.

We have looked at Canada and the European systems, and they are beginning to face some of the problems that we face: an aging population, a demand for more medical care, and the like. But they are starting from a much lower base. So they have got some room to play with because they started doing single-payer in the '40s, the '50s, and the '60s.

We have such a built-in inefficiency base in our medical system right now. And the analogy I draw as to the single-payer system we currently have, which nobody talks about as a single-payer system, namely, the Medicare system.

When you ask about what doctors know and don't know, I go to huge conventions of doctors and I ask -- usually a doctor stands up and starts railing against government medicine, and socialized medicine, and what my husband is trying to do to them, and how they can't stand to take money from the government, and all that.

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I cannot tell you how many times I have done this: I have said, "Well, fine, do you take Medicare payments?" And they say, "What does that have to do with it?" And I say, "How many doctors know what funds Medicare?" I have never had more than ten hands in huge auditoriums go up.

Doctors are worried about fixing you up. They are not worried about how you fund Medicare, which we fund by a payroll tax. It's a single-payer system.

Q How do they think it's financed?

MRS. CLINTON: They don't know. Most Americans don't know that their payroll tax pays for Medicare. We have polled on this.

Q Interesting.

MRS. CLINTON: They don't know. So part of what we have got is a single-payer system in Medicare with huge cost differentials built into the system.

So that, for example, in Miami the same procedure, done to the same kind of patient, a physician charges three times what you pay in Minneapolis. When we studied this -- and we studied it as closely as we could -- we couldn't figure out how, if the Medicare system has been unsuccessful in rewarding efficiency and penalizing inefficiency, how we could layer on a single-payer system, given our built-in costs for the under 65 population, and not blow the roof off of medical expenditure.

We are already on a trim line to spend 20 percent of GDP by the turn of the century. Our projections, if you -- you get a big one-time savings from eliminating insurance companies. That would be huge. But that wouldn't necessarily help us with a lot of the built-in costs.

So here is what we decided to do: We said let's make single-payer an option for states. California just got a million signatures to go single-payer. Hopefully some states will go single-payer, and we will be able to see how that works.

But we want to maintain a public-private mix and some competition to try to drive the structural costs of the system down first. So that was the substantive reason.

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And secondly, politically, there is nowhere near a majority in the Congress for single-payer because they have brought into the whole government, socialized medicine, long-line, dying for the want of a hangnail being taken off, all that stuff which gets promoted by the same people on the radio stations day and night.

Q Your allies --

MRS. CLINTON: Yes, right.

Q (Inaudible) single-payer in a place like California, and you accept universal coverage for the United States, how does the person who lives in California, and gets sick in Ohio, or moves to Ohio, get coverage, or get paid for it?

MRS. CLINTON: It's portable because you get the same benefits. You have a federal framework which says every citizen gets these portable comprehensive benefits.

Now, you may get them in Hawaii through their employer-employee system. You may get them in Maryland through their all-payer system which imposes rates. California, you send the bill back to California, just like you do now. Just like with your indemnity or your HMO now. That's how you do it.

Now, Canada started on a provincial basis to be single-payer. They didn't have a full single-payer system until sometime in the '60s; right?

Q Yes.

MRS. CLINTON: The first was a province. And then another province, and then another province. And they only started, first of all, with hospitals. And when they tried to extend rate regulation to doctors, there was a nationwide doctors strike. So I mean, it was not a smooth, top down imposition by any means.

Q It has difficulty with funding, too --

MRS. CLINTON: It does, yes.

Q You have made a good point that much of the money that we spend is on things that we don't need.

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How will your system provide incentives to move toward things that we do need without bureaucrats making the decisions?

MRS. CLINTON: That's why we think this system would be better than single-payer and better than the pure unregulated marketplace because it is a kind of hybrid.

Let me take a state where I can talk about information we already have, which could illustrate the point. Let's take Pennsylvania. Pennsylvania, unlike most states, has actually collected information about how much certain procedures cost, and what the quality outcomes are.

And the one I am most familiar with is the coronary bypass. They have looked at every single hospital that performs coronary bypasses. They have looked at mortality and morbidity rates, and they have ranked every hospital. So if you ever need a bypass in Pennsylvania, you can actually get a booklet and look at four or five years worth of data and make a decision.

It costs from \$20,000 to \$80,000 to get the same operation in one state. There is no evidence the \$80,000 bypass is better than the \$20,000 bypass. In fact, you could get better statistics if you looked at some of the more medium-priced bypasses.

If you are in the State of Pennsylvania and you have health plans competing for business, health plans all of a sudden are going to say to themselves, you know, there are other alternatives besides bypass for coronary problems which we have never looked at seriously before.

(Inaudible) work on nutrition show you can actually reverse heart disease. But most insurance policies don't pay for nutritional counselling. Our health plan would pay for nutritional counselling.

So instead of performing a bypass anytime the surgeon decided it was the case, this network of doctors would be making decisions about what is appropriate care. And among the appropriate care decisions might be we are going to fund a lot of nutritional counselling and stress reduction so that we are going to have a big public outreach. And we are going to try to reach particularly men between the ages of 40 and 60 to talk about their eating habits. And we

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are going to try to lower the need for it.

We are going to make sure that we have got prenatal care available to everybody because we don't want to pay for the intensive care nursery if we don't have to.

So all of a sudden the surgeon, the radiologist, the OB/GYN, they are all in it together instead of competing for your health care dollars, and being able to put more money in their pockets the more procedures they run.

They will actually have, again, like the Mayo's model, an incentive to cooperate together and to prescribe lower-cost treatment than the higher-cost ones.

Q But how do you sell that to doctors? When you talk about a salary at Mayo, a lot of people might be willing to do that just to be at Mayo.

But if you take your average doctor and go back to what Diane was saying, that it used to be that when they graduated from medical school, they were automatically among the wealthiest and most affluent in their community. And that's not necessarily true anymore.

MRS. CLINTON: Oh, yes, it is.

Q Really?

MRS. CLINTON: I can give you statistics. I can give you chart that during the 1980s the average medical salary -- income, let's say, income -- went up 15 times faster than the average American worker, and six times faster than people of not total comparable education, but lawyers and others who had more than a college degree.

Q That's interesting. I didn't know that.

MRS. CLINTON: Absolutely. Now, they --

Q That takes into account their actual spending power after all the malpractice suits -- that's what I was going to get at.

MRS. CLINTON: Their expenses, like everybody else's, has gone up. But their incomes have gone up commensurate.

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Q It seems to me there are two reasons why you have all this unnecessary care. One is the one you said, and the other is everybody is afraid of being sued.

MRS. CLINTON: Right.

Q And if all of a sudden somebody is going to sue them because they didn't give them nutritional care --

MRS. CLINTON: No. But you see, the other thing we are doing in the malpractice recommendations we are making is to have guidelines that will insulate doctors. I mean --

Q Well, that's terrific --

MRS. CLINTON: That's one of the things we really believe in.

Q -- if that can get through.

MRS. CLINTON: Because part of what happens now is a doctor is really at a loss to know what a judge or a jury might accuse them of not having done. So they do everything. And that drives up the cost.

In Maine, which is the state we have been looking at, they have come up with clinical practice guidelines for certain kinds of procedures and physicians. It's good. And if you follow it, then when they come to the door to sue you, you hold it up and you say, "I did everything I was supposed to do." So you've got a huge presumption to overcome. They are not going to sue you then.

Q One of the other areas that we identified one time we were doing a whole series on this, was every hospital having to have the latest technological equipment, whether it's CAT scans or MRIs or whatever it is, when you don't really need it.

MRS. CLINTON: Right.

Q If you have five hospitals within a mile of each other, one hospital with that equipment would do. So how do you get the other hospitals to say, okay, I am the one who won't have it?

MRS. CLINTON: Well, there's two ways of doing

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that. One is we are trying to change the anti-trust laws. Part of the reason you've got that kind of competition is we've got these outdated anti-trust laws so that hospitals have been forbidden to talk to each other about what equipment they would have, and how they would share it, because they might be sued by the government. I mean, that's crazy. So we are trying to get away -- we are trying to do away with that.

And secondly, again, if hospitals and doctors are in these networks where they are going to be affiliated, it would be in their interest to cooperate as opposed to being competitive. And to be more efficient.

Some hospitals now, I think very cleverly, are running their MRIs or their CAT scans all day and all night. They are not running it from 7:00 in the morning to 6:00 at night. They are running it all night. And if you are willing to come in at midnight, you get a discount.

Q You get a better price?

MRS. CLINTON: Yes. So there are a lot of creative ways of using our technology and actually getting more than what we are getting from it now.

Q Can I just (inaudible) to this (inaudible) part here from a cardiologist for a minute, though?

Under your plan, why would this greedy doctor not (inaudible) borderline bypass? Because it still takes money out of his pocket. He is not going to be on salary --

MRS. CLINTON: Well, he might be. I mean he might be in the greedy Park Avenue HMO which some people might join because everybody drives a Mercedes, and they think they will better health care; right? No, I am serious. Or they might be in a --

Q But it will still go to their bottom line. The greedy HMO would be saying got to do those bypass --

MRS. CLINTON: No.

Q GPA HMO.

MRS. CLINTON: Under our system we would have a

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budget target that you are supposed to try to stay within. And it would be based on what the usual cost and practices were in an area over time.

And it would be the way you budget, the way a Mayo budgets, or a Puget Sound HMO, a Kaiser Permanente, or some of the other good quality health care providers who maintain high quality and attract good physicians, but do it in a way other than the fee-for-service system.

What we are trying to do is actually move more physicians into being willing to follow a Mayo's model because it's good for them and it's good for us.

A lot of the stress that these physicians complain to me about come about because they are lousy businessmen. I don't know how many physicians you know, but they are usually out there investing in stuff, and making bad business decisions, and not knowing how to deal with the financial side of their business. But they don't want to give up their independence.

So there is ways in which, through networking, and being part of networks that take a lot of the business burden off, they will actually end up making more money, which is hard to believe. But they will if they are willing to work together within some kind of budgeted framework so that they don't have to have the bypass every time somebody walks in the door.

Q Is there a (inaudible) tax, health benefits, say dental -- dentists complain that they are concerned that dental benefits will be a tax (inaudible).

MRS. CLINTON: There is a move on the part of a number of members of Congress to tax all benefits. The President does not support that. The idea behind it is to tax the benefits of those who already have benefits and use the money to fund health care for the uninsured. I think that's a very dangerous position to take and do not think it's good politics or good policy.

I do think at a certain point that I would not start it yet, and I would not single out any particular service like dental care. At a certain point when there is a comprehensive benefits package -- and this is what the President's plan proposes -- you would tax anything above

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that. But you wouldn't --

Because, you know, we should be free to have whatever health care we want. If we want to have as many cosmetic surgeries as we want, that should be our business. But it shouldn't necessarily be part of the comprehensive tax-free benefits package.

Q How does the forthcoming election help or hurt you in terms of getting something passed now? You've got people in Congress who say they are not going to run again. Are they going to be freer to support you or freer to oppose? You've got everybody going (inaudible) up for election. Does that mean they are going to concentrate more on doing it or concentrate more on not doing it?

MRS. CLINTON: I wish I knew the answer to that. I have had a member of Congress, who is in a very conservative district, who has decided not to run, call me and say he now feels free to be with the President a hundred percent. So I suppose there are some who feel that way.

But I am sure there are others who are still going to play it issue by issue. I don't know how that works out yet.

I think the bigger question about what does a mid-term election mean is one that I think is going to be very interesting this year. I don't know how you exactly call it because there is going to be a real tension between what continues to be majority support for health care reform, but confusion about the details. So how that is presented to the electorate is going to really determine who is on the right side of the issue.

Q And they haven't decided, themselves, in Congress. They have got 97 different reports and they have meetings after meetings, and they --

Remember Ross Perot?

MRS. CLINTON: Have you seen him lately?

Q No.

MRS. CLINTON: The last time I heard about him, he said he wanted to come up with his own health plan that

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doctors would write, but I haven't heard anything --

Q He hasn't called any of us recently; has he?

(Inaudible)

Q Given the complexity of it, given the unknowns in it, if the President's plan passes, what will keep you lying awake at night wondering if it will work? What's the biggest unknown in it to you about whether it would work?

MRS. CLINTON: I feel very comfortable with it. But what will keep me awake is to make sure that the states do it right. Because most of the implementation is going to be on a state-by-state level.

I mean, the federal government will have relatively little to do with how this will actually be delivered. Because we deliberately wanted to push the decisions down as close as possible to where doctors and patients actually get together and interact.

In some states I would feel totally confident about it. I would not worry about a Vermont or a Minnesota or a Washington or Oregon or California or Pennsylvania. But what am I going to do with a state like Texas which has more than 25 percent of its people uninsured? It has no health care in --

(End tape 1, side 1.)

MRS. CLINTON: -- what I think is happening and what the debate is leading toward, and leave you with something that might be, I hope, useful to you. After John finishes editing it, we will run it through the machines again to get clean copies to you folks. (Laughter)

I do want to just quickly run through this to let you know what's in it. Because I have found our biggest challenge is getting accurate information out. And I would assume that given the roles that you all play, that it has to be confusing for you as well.

And part of what I and other people in the administration are trying to do is go back now, that we have spent some months doing this, the debate is really heating up, legislation is actually being written, and try to make

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clear what it is what the issues are.

I have brought out a little handout that a member of Congress asked us to prepare -- and I wanted you to have a copy -- about what happens if we don't pass health care reform. Not just any health care reforms, but real substantive reform. What does happen.

Then this little piece, which I just saw, which I thought was very effective, this Back to the Future piece, lays out what I have been thinking could happen if we were to settle for marginal reform that doesn't really try to change a lot of the basic incentives in the system, and that will protect quality and choice and some of the other things people are concerned about.

I don't have copies of it. I was just going through my mail on the plane. This is what we are up against. This is from an old woman -- old, 75:

"Mrs. Clinton: This is what we received that is very confusing. We believe you and our President, but please tell me how much of this is true. One of your supporters." And then she has her name. She lives in Missouri.

"P.S. Maybe I am getting too old to understand. I will be 75 March 25th. I would appreciate a reply."

This is: "What do you know about senior citizens." It's called "American Council for Health Care Reform, a national referendum on health care reform, commissioned for the Congress of the United States by the American Council."

On the back it has a notice, "\$5,000 reward for information leading to the conviction of anyone unlawfully interfering with the delivery of this voter ballot."

Then you open it up: "How Mrs. Clinton's health care reform plan will affect you." And it goes through every connived, every false charge that has been made. I have seen it all over the country. It is one of the many direct-mail campaigns that are being launched against health care reform in addition to the radio-TV ads and the rest.

So, where we are, I think we have succeeded in certainly making health care reform, and making the President's goal for universal coverage the centerpiece of

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the debate. And we still have probably majority support on all of the major pieces of the President's plan. And we have very strong congressional support that is working in the committee.

But we do have an enormous opposition campaign running against this, which I think is very dangerous and self-defeating. But it is very similar to the same campaigns that were run against Medicare, Social Security. Some of the same people are back again. It's like they have recycled their handouts and their campaigns against this. So that's kind of where we are.

I think that we are in actually pretty good shape in the Congress, but we also know that we've got to be doing a more effective job communicating, in general, with the public.

Q What about the employee mandate? Is that going to make it through the Congress?

MRS. CLINTON: Let me just run real quickly through the five things that I think are the most important principles.

First, and the one the President sort of laid down the line on in the State of the Union was we've got to have universal coverage. And we think that it guarantees private insurance for everybody with good benefits.

Secondly, we have to reform insurance practices. Do away with preexisting conditions, lifetime limits, eliminate the bureaucracy, the administrative cost associated with all of those practices.

Thirdly, we have to preserve choice of doctor and health plan. And that's been one of the primary arguments made against us. And in fact if you do nothing, everyone of us sitting here, who is well insured, will see our choices diminish. Now fewer than half of Americans, who have health insurance, have any choice.

We are told by employers why doctors you can go to. And it's understandable. That's what people are trying to do to control cost. And, in fact, unless you have reform you will have less and less choice as the years go by.

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The fourth is to preserve and improve Medicare.

And the fifth is how we finance it. There are only three ways to finance universal coverage. You need to have a broad-base tax which replaces all of the private sector investment.

Or you can have an individual mandate -- and I'll be glad to talk about that -- which has been the centerpiece of the Chafee (phonetic) approach.

Or you can have an employer-employee mandate which is what we think you ought to do, which is to build on the existing system.

Now, there is probably more organized opposition to the employer mandate than any other piece of the President's approach. But as members of Congress focus on the alternative, they keep coming back to it even though they don't particularly like the political heat they have to take.

There isn't a majority to raise the broad-base tax although Rostenkowski has talked about it. I don't know what he will eventually come out of that discussion with in the committee. I think it would have to be very carefully put together to get a majority of support.

Q Do you, or does the administration oppose the tax for (inaudible) because you don't think you can get it done? Or for another reason?

MRS. CLINTON: We don't know what it is yet.

Q Have you any idea of any tax?

MRS. CLINTON: I don't know that we would -- well, we have a (inaudible) tax in the President's plan. We also have the corporate assessment which is a form of taxation, I would guess you could say.

So we don't oppose any taxation. We just don't think that it's the best way to go, either substantively or politically. But, again, we have pretty much thrown that ball to the Congress.

If they think they can put together a majority that would have a different set of taxes than what we think is

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possible, that is fine. We are not going to argue with them. That's something that we are waiting to see how they develop.

But we think that the more reasonable approach is to build on the system that already is in existence. And which, if we built on it, and got everybody who is a free rider now, into paying their fair share, would lower the cost on those of us who have been insured and basically paying the bills.

That's what the problem is that we've got right now, is that you've got intense opposition to the employer mandate largely fuelled by the NFRB and the Restaurant Association, and some retailers. Not all. I was at Safeway yesterday, and they are in favor of the employer mandate.

But you've got a very well organized opposition campaign that is funded by that group. Then you've got employers like CBS, and employers around the country, who have basically been paying for the health care of retail workers and restaurant workers and subsidizing their (inaudible). Sometimes even subsidizing their competitors.

Safeway, because it provides health insurance -- if you take a Safeway store, and down the block you have a store that's run by another large company that doesn't provide health benefits for all of its workers, every time somebody at that second store gets sick and goes to a doctor, or goes to the hospital, and cannot pay the bill, the premiums go up either immediately or sometime thereafter, for everybody at Safeway.

So Safeway the company, Safeway the workers, absorb the uninsured and the underinsured. So those businesses that are insured have a vested interest in getting everybody into the insurance pool.

In this handout there is a long list of companies that have supported the employer mandate.

Q Is that not true for the small businesses, too?

MRS. CLINTON: It is. The small businesses that insure, it absolutely is. And even for small businesses that don't insure, if you wrote them into different groups you've got the smallest of the companies like a self-employed, the sole proprietorship, they will do very well under this plan

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because they will get the discounts for small business plus the 100 percent deductibility.

You've got those small business that currently do insure, who are getting very disadvantaged in the current insurance market because they can't get into pools big enough to compete with CBS or state government or somebody else.

And that leaves you with about 45 to 50 -- you can't get a really good estimate -- of companies that do something or do nothing. But they don't provide full benefits in any combination of responsibility. Those companies are basically free riders on the system.

If the spouse who works for CBS, who puts the spouse who works for the uninsuring company on the CBS payroll, CBS pays for that person. And there is no comparable responsibility from the small business or even from the large retailer.

So we have all these distortions in the economy and in the labor market that are due to big businesses and responsible small businesses basically bearing the full load. Not just for their own employees, but indirectly for everybody else.

So when you look at the employee mandate, its like democracy. Compared to everything else it looks good. Nobody is enthusiastic about this, necessarily. But compared to every other alternative --

And what I think we are struggling now in the Congress is what's the right balance. How do you protect small business, give them political support to be able to do this, and be able to get everybody in a large pool that basically can create discounted premiums for everybody, including those who are currently insured.

Q Mrs. Clinton, we want this to be free-flowing. But we also want you to have an opportunity to have your honey and tea.

So if I may, while you take a sip, perhaps we could work to your left and have Eric Over, who is the president of CBS News, and the boss of us all; and Mike Wallace, who is (inaudible) interview, and the boss's boss, ask the questions while you have another sip of tea, and then give you an

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opportunity to answer.

Q We'll do it as slow as you can so you --

MRS. CLINTON: I am fine.

Q Our financial vice president is sitting at the end of the table, Jim McKenna. The reason I want to bring him into this is very simply, why the issue seems to be that companies like CBS, which have provided pretty good health insurance, I think, although in recent years, because the employees are now paying a percentage of it, and I don't think anybody around this table can't afford that percentage, but years ago it used to be totally company paid, why haven't companies like CBS more aggressively -- the cynicism by big business that have provided the insurance, about whether it really will spread the burden.

I think the problem with companies like CBS is that they actually believe that the employee, as well as the employer, will bear more of the burden, not less. Why do you think there is so much cynicism by corporations like CBS?

MRS. CLINTON: Well, I can only speculate because I have not been, obviously, involved in the conversations. But let me run down the reasons why I think that's the case.

I think that we have inherited tremendous cynicism about government, just in general. As my husband says, we have gotten to the point where we don't think government can run a one-car parade. So how could government, through any legislative effort, do anything to improve the health care system?

That leads people to think that somehow what we are proposing is a government system. And so they therefore say, well, I don't think I am going to be (inaudible) in the health care system. It's bad enough. I am trying in my own business to stay back these (inaudible). Let me just kind of continue to solo it.

The problem with that is that we are not proposing a government system. We are proposing to better organizing the existing market to the advantage of companies like CBS. But I can understand how to some extent it's a leap of faith. Although, as I say, there are long lists of companies here that have endorsed employee mandate, endorsed the major

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elements of the plan.

The second thing is I have learned, in talking to a lot of CEOs and CFOs over the last several months, that they are just flooded with inaccurate information. I have these conversations and people say, well, this is going to do this or that. And I say, "Who told you that?"

Very often the people who have told the CEO that are the benefits people. I don't know whether that's because of a misunderstanding on the part of the benefits people. Or as one benefits manager just bluntly told me, he said, "You are absolutely right. I'm going to do everything I can to beat this, because if I don't I am out of a job."

Now, if you want to just cut to the quick, there are a lot of reasons you don't need benefits managers, and big benefits departments. And you don't need huge billing departments in hospitals, and clerks in doctors' offices.

And you don't need underwriting departments and great big administrative bureaucracies in private insurance companies if you eliminate all of the negotiations to try to get the best deal you possibly can in the existing marketplace.

So I don't know how accurate the information is that a lot of people inside companies are getting if they rely on their own benefits people. And I don't say that as a hit against any one particular person. I just know based on my own direct experience with some people that that seems to be the case.

Q I have never heard that before. I have never seen a piece on that, I have never seen a word written about that.

MRS. CLINTON: It's one of those silent things. You know --

Q You should be putting that.

MRS. CLINTON: I haven't answered your question but it is very tough for us -- as someone said to me the other day, Franklin Roosevelt would never pass Social Security in the current climate. He passed Social Security against big odds, had to go to a mid-term election, basically, to put the

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coalition together; didn't get one Republican vote until up to the very end.

But he was able constantly to keep talking about the big picture. We have got the new deal for you. You pay during your lifetime, you will have some security when you retire in your old age.

Now, if he had got asked the kinds of questions I get on a regular basis, and you have (inaudible) actuarial tables, and you have to say (inaudible), response to government work, three quarters, and it eventually gets there, because if she works eight quarters (inaudible), it never would pass.

So part of the dilemma is how do you keep the big picture in sight -- because that's really what this is about -- and yet provide enough accurate information that you can keep people in our current political and social climate feel secure enough to make big decisions. And that's one of the things I don't know the answer to.

I sat and talked to several major company folks the other day. The first thing they say is why don't you have (inaudible) directorates.

So if you've got the head of a major insurance company sitting on the board of a major (inaudible) company, and the head of the major insurance company, who stands to lose if you have a standard benefits package that is available to every American, at an affordable cost, and you eliminate the 20 to 26 percent overhead charge that insurance companies put into every one of our premiums for processing this whole business, you are going to have the guy sitting next to you saying, "The government will screw that up as sure as you can bet. They just can't do anything right."

Well, if you make widgets, and the guy on the Board is an insurance expert, he is going to say, well, he has got something there. And so you begin -- you (inaudible) the doubt, and you (inaudible) general atmosphere of specific kind of working against that.

If you look at the (inaudible) that major companies give, before we got over the political battle, if you look at like the Hart (phonetic) coalition, which is this big consortium of big government (inaudible) that is put

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together, that Bob Ray, the former governor of Iowa, had a major role to play, and if you look at a lot of the plans that major companies came out with, for what they thought would be good elements of health care reform, we have every one of those elements.

We have done what business asked us to do, with very few exceptions. And the thing that's interesting to me is how the ideology has changed the attitudes.

Last year, I would have meeting after meeting with CEOs and CFOs, and all these people coming in, and you sit there, and they say, "I would ever say this publicly, but if you do not have some form of budgeting or price controls in the plan, it will never work. But I can't say that publicly because I don't believe in price controls in my business, because my business is competitive. But there is no real market in health care." And they say this to me.

And so, then, we (inaudible) what we think is a reasonable budgeting mechanism. And they won't publicly say what they said to me privately, because they don't want to be painted by the right as being in favor of price controls.

So there is a lot of political maneuvering going on behind the scenes. I think it's beginning to sort itself out. But that's a long answer to your question.

If you look at the list of companies that are supporting us, I think it's a pretty good cross-section of the economy. And if you look at the reasons why they are, it's because they have analyzed their bottom lines.

The final point I would make is some companies have actually come back to us. And we said, "Look, take your own numbers. Don't believe us. Take your own numbers, do your own computer workout, come back to us."

They have come back, and they said, "Yes, you're right, they have done what you say." I had a company last week, "We say \$80 million. But we just don't believe that it would stay stable. We believe that it would eventually increase, and we would (inaudible)."

So I say to them, "How can you be in any worse shape than you are today, where in effect you are holding a (inaudible)?"

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You've got a deteriorating financial situation in the public sector of Medicaid and Medicare. You've got an increasing number of uninsured. We now have a higher percentage of uninsured workers than we had in the last 40 years, who are going to be burdening our health care system.

You are facing cutbacks in benefits, increases in co-payments to doctors for your own employees. You are going to have to start restricting choice in a desperate effort to try to get the best discount you can from a smart pool of doctors whom you think you can control. And you're going to have to basically sell that to your workers.

There is no reason why your competitors will continue to provide benefits. And if they stop, or if they dramatically cut back, you are there to come up (inaudible), and therefore you too may be forced to make a decision where you have to cut back and only provide it to key employees or management. All that is true.

That's where we are heading if we do nothing. So it becomes kind of a leap of faith to some extent. And that's where we are right now.

Q Mrs. Clinton, you mentioned President Roosevelt before and Social Security. And the public generally wanted Social Security. The public generally wants health care. No doubt about it.

(Inaudible) was up here at a meeting I had a few months ago. And I realized that the (inaudible) around the table (inaudible) understood what he was talking about. And the (inaudible) of the various companies around the country (inaudible). People, in my estimation -- I may be dead wrong -- don't have a clue.

I mean, you are talking about employer mandate (inaudible). I look here (inaudible), guaranteed insurance, choice, (inaudible) insurance practices, preserve Medicare, health benefits guaranteed (inaudible). I know that we passed this a long time ago. But now, even in the Times this morning there was a piece about (inaudible).

What the dickens is wrong? Is it unsalable? What is wrong with single-payer, Canada plan?

MRS. CLINTON: Good question. Let me think if I

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can answer it in two ways. From our perspective there were several substantive things wrong with it, and there are some political things wrong with it.

Substantively, here is what we saw of our problems with trying to implement an affordable single-payer system for the entire country. Single-payer does the major things we want to do: cover everybody, give good benefits, choice of doctors, no insurance interference in underwriting practices.

If you start from where we are today in this country and try to implement a single-payer system, we will be starting from such a built-in level of cost that is unnecessary. We could not figure out how in a single-payer system you would squeeze out the excess cost with the exception of the one-time pitch you get when you eliminate insurance companies, which would be a big hit.

Let's take Medicare for an analogy. Medicare is a single-payer system.

Q Right.

MRS. CLINTON: I go to all these meetings with doctors, and they stood up, and they start railing against government medicine. And I said, well, the President is not proposing government medicine. The President is not proposing single-payer.

But do you support Medicare? And they say, yes. And I say, "Do you know Medicare is single-payer, taxpayer financed, government (inaudible)?"

I can guarantee you there are ten, usually, in a group that know how Medicare is funded. They just don't know how it's funded. But Medicare is single-payer because we pay for it out of payroll. And then we have to be pumping more money into it all the time.

Medicare shows the problems that we have in America in moving toward an efficient single-payer system in the short run. Medicare has different levels of payment in this country that are based on different practice styles, different medical decision making.

You cannot justify paying, as we do under Medicare,

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three times to a physician in Miami to take care of the same kind of patient, for the same kind of problems, as you pay under Medicare to a physician in Minneapolis.

We have not yet figured out how to squeeze those cost differentials out of the system. So if you put everybody in the under-65 system, into a single-payer payment (inaudible) right now, you will be building in what we view as enormous inefficiency and excess cost in the system.

Which is why we wanted to keep out public-private myth with some competition in some market (inaudible) so that you have decisions being made at the local level where Miami, for example, would no longer be able to pay those kind of differentials. But we did not see how from the top down you could be (inaudible).

Our problem was we couldn't figure out how to make the cost structure on a single-payer work in our country, starting from where we were.

Q Then it would be easier to do it under your plan?

MRS. CLINTON: Well, for one thing, we think we can actually get more of the excess cost out. But we also have a single-payer option.

California has just turned over a million signatures to put single-payer on the ballot. Individual states going single-payer are comparable to what happened in Canada where provinces went single-payer initially.

And on a smaller level we are able to deal with the differentials between not only in San Diego, where it was much more difficult to deal with than between Miami and Minneapolis because you have a budget which is set to determine what the cost of the system will be on a scale that we think is more manageable.

So that's why we are very strongly in favor of the single-payer option. That's a substantive issue. It's --

Q How do you get to a single-payer option?

MRS. CLINTON: Under the President's plan any state can, by voting in by their legislature, or voted in by

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referendum, which is what may very well happen in California.

Because what we want to have is some state flexibility. We take Hawaii, which is not single-payer, but which is very universal -- 97-plus percent -- and it's an employer mandate.

You take the State of Washington which has a different kind of employer mandate. It's not a single-payer, but it's going to reach universality if it's done right.

You take Maryland, which has an all-payer system, which controls rates, it's a much heavier price-control system, but keeping costs below the national average.

We want that kind of flexibility so that over some years you can see what works, and you can make adjustments. We don't want some kind of (inaudible) government-mandated program which basically says you have to do in California exactly what you have to do in New Hampshire. That's the substantive reason.

That can be overcome with the right combination of decisions, but we haven't seen it happen in Medicare which is what we are afraid of.

The second thing is political. We do not see how you get a majority in the Congress, given the political makeup of the Congress, and the ideological strength of the right. And it's growing all the time. It is a serious problem. Most progressive legislation, let alone progressive talk in the country, we don't see how you put together the majority in the Senate or the House for single-payer nationwide, which is why we have the option (inaudible).

Q The problem seems to be the (inaudible) syndrome that government can't do anything right. Is there any chance you could take this out of government in an Amtrak that works, or a post office that works?

So if you promise a private organization, a board of directors or corporate America, and medical America, it does not become the one-car parade that nobody wants to deal with.

MRS. CLINTON: That's what we have probably done. And the problem is we obviously haven't communicated very

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well. Because if you look at what we recommended, it will be for not-for-profit (inaudible) made up of local business leaders and consumers to basically manage the process in regions and states.

Q Nobody knows that.

MRS. CLINTON: I know they don't know it. And you said it over and over again, we pass out little pieces of paper. But what's happened is -- here is the political landscape. Let me just take a step back.

You've got an intense right-wing media strategy. You've got talk radio dominated by right-wing ideologues. You've got religious broadcasting on both radio and TV dominated by the right. You've got now cable television that the Republican Party (inaudible).

You've got a very effective organized (inaudible) right, this group here, all of whom are tied into either the Republican National Committee or one of their many little tributaries.

And you've got a very effective advocacy journalism from places like the editorial page of The Wall Street Journal, all of which basically does not believe in the universal coverage, nor does it believe in reforming the system to eliminate insurance abuse or (inaudible). That's been going on. And it is a constant, steady, relentless stream.

Now, what do we have on the other side? What we have on the other side is a legitimate media who sees its job as to present everything, on the one hand, this, on the other one, that. So on the one hand the Clintons say that this not a government program, and that the alliances are not-for-profit organizations to be run by local business people.

On the other hand, Senator So-and-So, Republican from so-and-so, says that's an absolute lie, it's a government takeover. End of story.

So that's the basic (inaudible). It's mush. Nobody pays any attention to it. So we are left with constant right-wing rhetoric that continues unabated.

Now, I don't know how you or we get information

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across that effectively presents what the facts are. That's one of the dilemmas that I don't understand how to confront. Because I don't mind people saying, as they have every right to say, I don't think the (inaudible) is a good idea. I don't think even purchasing co-ops.

And even though to say they would be nonpolitical, and they are going to be (inaudible), and the business community will dominate the boards because they are the ones basically paying for (inaudible) under the system, I don't think that will work. And here is the ten reasons I don't think it will work:

That's a perfectly legitimate debate. But to be faced with (inaudible) we think about what we think it will do, the response is, they are lying to you, it's big government, they are going to take your doctor away, and they are going to make you stand in long lines, and never going to give you any treatment.

And nobody is there to say the emperor has no clothes, and these people are basically the same ones who are against Medicare and everything else. I don't know how you break through on that. I am not surprised you don't know that because --

Q Well, I think -- don't you know all those guys on Sixty Minutes? (Inaudible) (Laughter) That's how you combat it.

MRS. CLINTON: The debate is important. But I've got all this other stuff, all incredible background (inaudible) that never goes away. There is no debate. It is a constant, relentless stream of misinformation and inaccuracy. So even a debate on the number one show on the number one show in America, which lasts for an hour, then three days later you've got the radio talk show people and -- these people never give up, and they never go away.

I have done, I have spent -- I feel exactly like Harry Truman did. You go back and read Harry Truman's speech in '45 and '47 against the special interests (inaudible) for national health care. (Inaudible).

Q Are you saying you are not going to win?

MRS. CLINTON: No. We are going to win, but we are

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finding it difficult to get the information across that seems apparent.

Q I think many people understand the cooperative issue and all that. I think what they are concerned about is what we said earlier, is the concern that we are getting more government bureaucracy. I think that (inaudible) just doesn't work. That's what you've got to get through, there is a way that it will work.

Q Mrs. Clinton, David Letterman has sent a surrogate to this. He has his own (inaudible), and he had the good sense to send, actually, a medical doctor. And I'd like (Laughter). (Inaudible) a medical doctor around the table to be able to ask you a question so he can report back to his boss, Mr. Letterman, if he has done his job.

Q Actually, I have lots of questions, but there is one that I am curious about. There has been tremendous emphasis on the whole business of choice. That's been one of the major selling points of the plan.

If my recollection of reading the original plan is correct, though, there are provisions in there (inaudible) states, and maybe the local management of the health plan, to petition to eliminate choice if they find in their financial interest that (inaudible) could have a people service, or you want to restrict what the patient can do, they can do that by petitioning the National Health Board or whatever.

Which to me implies that, the stuff I said on the air a few weeks ago, if I were having a problem where other patients were having problems, and I felt I could get on the phone and call your husband or yourself, and say, "You know, I have a real problem here. These yahoos in my state are doing such and such," I would be relatively at ease with it.

I am concerned, and I hear from some of my viewers that their genuine concern is that the local management will in fact mandate things that are not popular. And that (inaudible) and that the federal government will be unable, or communicably unable, to coerce the decision.

MRS. CLINTON: I see that as a theoretical possibility, but I have a hard time seeing how it would work in practice in the example that you gave of a single health plan that on a temporary basis you are having financial

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trouble.

And the decision is, do we say you go out of business because, maybe, there has been a terrible outbreak of some terrible disease that they have had to absorb the cost for. And we say we give them a year or two, but they may have to make some management decisions in that local area that would restrict choice or do some things.

But, again, don't forget. It's the enrollees' choice as to whether you re-enroll in that health plan. If you require there'd have to be at least three health plans in every area, even the most rural area, then one of those have to be a (inaudible) plan. Just like an indemnity Blue Cross-Blue Shield plan is now.

Then even if one of those three got into some terrible trouble, and we decided at the local level that they were still financially feasible, even though they were in trouble, but they could make some changes for a temporary period. You still have two choices. And the individual would get to choose.

And so I don't think that it is as serious a threat as it could seem if you just look on the page, because it would be limited to one local area.

Because, really, what I am trying to get -- and I am not saying this more often in speeches than I used to. I am trying to give every American what members of Congress have. Think about the congressional plan.

The federal government, acting as the employer, and with our tax dollars, providing 75 percent of members of Congress health benefits, goes out into the marketplace and basically says, do you all want to build on the business of the nine million civilian employees of the government?

And into every region of the country they get flooded with HMOs, PPOs, fee-for-service, et cetera. And then every year I sit down with my husband, members of Congress sit down, and we look at all these choices, and we get to choose.

Now, if we choose an HMO, we know we are going to save a little bit of money. But if I don't like an HMO, I will end up paying for the (inaudible), I always end up

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paying for, because I just want that kind of maximum choice (inaudible) for the HMO. But it's all of our choice.

(Inaudible) the guarantee because right now what is happening, employers make the choice, not individuals. Employers are desperately being driven to eliminate choice to try to save money. Doctors are being told what they can and cannot do by insurance companies. So from my perspective, I want to eliminate the coercion that's already in the system, and which is already growing.

Q I am curious. (Inaudible) nominal distribution of people, like they are going to sort of (inaudible) themselves down and have certain preferences for one of those three plans. What if everybody in the State of Nevada or the State of California opts for the fee-for-service plan? Financially it would seem that there is an inability to deal with that. And that (inaudible), of course, leaves you to put out a restriction.

MRS. CLINTON: No, because if you have a fee-for-service plan, you have to have your costs within a certain range. So even though fee-for-service -- and I can pick up the yellow pages and go to any doctor that I choose -- that doctor, by joining the fee-for-service network, has agreed that he ultimately can charge more than the HMO charges, but it's going to be within a range. And I think the range is like 20 percent or something.

So that there is some natural (inaudible) that does go on already with the fee-for-service network. But that's basically what it is in most areas now. So there will not be very much change. And it's in the Medicare system. Medicare is a budgeted fee-for-service system. That's what it is.

The reason Medicare is under financial pressure is because in a budgeted fee-for-service system the government basically says here's how much we are going to pay for a cataract operation.

In the private sector system your premiums and mine pay higher for a cataract. So more doctors say I don't want to treat these Medicare patients (inaudible) can pay unless they can bring in Medigap or they can bring in something else. But, look, I can do CBS' insurance that pay me one and a half times for a cataract. So I am going to try and do every CBS employee I can get.

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So you've got a competition between the Medicare fee-for-service and the private sector fee-for-service. But if you have one big fee-for-service network, where the cost in the Medicare and the non-Medicare are basically the same, you have many more patients with many more dollars that you can actually access.

So for many doctors their incomes will actually go up because they will be able to eliminate the 40 to 50 percent of their income they currently spend on clerical and overhead, and bring that down to a much lower percentage.

Q I don't mean to sneer, but (inaudible) provider, and, big deal, that clerical work. In my (inaudible) as a physician (inaudible), we talk about this regularly, what is spent on dealing with Medicare.

MRS. CLINTON: And I know.

Q The Medicare bureaucracy is overblown. Patients constantly complain that their claim is being denied.

MRS. CLINTON: Oh, I know it.

Q And it's due for reform.

MRS. CLINTON: (Inaudible) about the Medicare bureaucracy is you have Medicare and you have supplemental insurance policies. You also have Medicare being administered by a number of different administrative entities. You've got your Relation Review Committees, you've got all this stuff because Medicare has tried to create a fee-for-service system that tells you exactly what you can charge for every single procedure, test, operation, et cetera. That's what we want to get away from.

We have extensive Medicare reforms in this approach. We are changing, for example, the payment structure so that clinical time by physicians, by pediatricians, interns, et cetera, can actually be paid for. Instead of just having to order a test, or they will never get paid, and some of them having to bundle all of the fees together to try to get some decent reimbursement.

We try to eliminate what has made Medicare troubling to doctors. But even having said how troubling Medicare is, Medicare carries a 2 to 3 percent administrative

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cost. Private insurance carries a 20 to 26 percent administrative cost.

So even if (inaudible), and believe me, I want to totally eliminate the hassle with Medicare, it is a drop in the bucket compared to the billions of dollars of hassle in the private insurance companies.

Q A burning question. This is something we talk a lot about in our broadcast. I was wondering if you felt there was any merit -- and the idea is being debated now -- that you would tax people on the present benefits they have. (Inaudible) for a mandate.

(Inaudible) says their numbers would indicate that you could create a completely separate insurance form for the uninsured, and that it would end up costing those who (inaudible), and employer mandate down the road because people are scared that people are going to cut the work force and cut benefits to make up the additional insurance cost.

Is there any merit in that idea, creating a separate pool just for the uninsured while the rest of us keep on (inaudible)?

MRS. CLINTON: I think we would have revolt in the streets when people were told that they were going to have to pay taxes on their benefits. Because for most people -- present company not excluded -- most people during the '70s and '80s gave up wage increases for health benefits.

Wages for most American stay flat. And the only way total compensation would increase for the vast majority for American was by lumping in the health benefits. Even now that's being taken away without commensurate increases in wages.

So the vast majority of middle-income Americans are caught in this real squeeze. And (inaudible) the government to say, hey, a really great idea for you, we are going to tax your benefits so we can give health insurance to the uninsured; they are not going to have to pay anymore, their employers aren't going to have to pay anymore.

You are still going to (inaudible) downward pressures on your employers to keep your wages at the level they are now. But don't worry about it. That will all get

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worked out because you are going to feel great because you are going to be paying for the uninsured. I don't know how you communicate that to people without them looking at you and saying that's just crazy.

Now, I do believe that (inaudible) with everybody in the system -- the fallacy about the argument against employer mandate is that somehow you are going to have to keep paying more and more.

But if you strip out the insurance administrative cost, if you begin to change the way we reward physicians (inaudible) -- I would like to talk to you. Look at how we reward physicians. We reward them on a piecework basis. We are saying to the doctors unless you perform this operation and this test, I don't care if you spend 20 hours making a patient feel --

(End tape 2, side 1.)

MRS. CLINTON: -- better by talking and using your clinical judgment and writing a great report, you don't get paid. So, what's the incentive?

The incentive is you got to order the test. You got to run the operations, you got to do the procedures. So we don't have any (inaudible) with Dr. Koop paying for, in his estimate, \$200 million in unnecessary test procedures.

Now, at some point, if everybody who is in the system, everybody pays something so that they are becoming cost-conscious consumers of health care. Then the cost for everybody starts going down. It does not continue to escalate.

And that's one of the real concerns -- to go back to CBS' concern -- they see the market as it is today, and they think they are going to get hammered because that's what always happens to them. And it's hard to make the leap of faith. (Inaudible) and you eliminate all the (inaudible) and all of that. We begin to stabilize and bring prices down.

Now, at some level, once everybody is in, and we have a decent set of benefits, then I do think anything above that should be taxed. I really do believe that. But until we get that, until we (inaudible), in good conscience go to workers at a plant, or secretaries at CBS, and tell them, you

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are going to have to (inaudible), I am sure, about having your benefits taxed.

Q Mrs. Clinton, I'm going to follow up on something you said earlier about what you described as a -- these are not your words -- a right-wing hit squad with (inaudible). And then the middle, trying to be honest brokers of information to the press.

(Inaudible) what you consider to be the most important untruth, the most important lie, that (inaudible), and what you consider to be the most important positive argument for, that does not get through on television and in the press.

MRS. CLINTON: I think the most damaging and repetitive lie is that we are trying to create a government-run health care system with government doctors that will deny you or your choices of your physician and hospital.

They have said over and over again (inaudible) this mother and child, and she is trying to call to get a doctor, and they are saying, it is a government doctor, call back later, all of that stuff. I think that's the most egregious lie.

It wouldn't even be true if we were advocating the single-payer system. Go back to my point. I mean, Medicare doesn't take people's choices away. So it's totally false.

The thing that doesn't come across as effectively as it should is that we are trying to build on the system that has already worked for them. We are trying to make it work better by building in some protections for consumers and physicians, and by removing the abuses that have driven the cost up on all of it. That probably doesn't get across as well as it should.

Q Terry Savariau (phonetic), who is the executive producer of CBS This Morning.

MR. SAVARIAU: I brought my doctor. (Laughter)

Q The other place, when you said you would like to discuss the big picture, I think our most recent poll, the last two CBS news polls on this issue pointed out that people, a large percent of the people are generally happy

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with the care that they now have. And I think on the political level that's what you have to deal with.

My doctor, who (inaudible) me every time into the office, I called him this morning. I said, "What would you ask Mrs. Clinton if you could?" And I think this goes back to your issue out there. He said, the idea of maximizing quality, which is what he thinks he does for a living, versus the minimizing expense which you have to admit we have discussed (inaudible), are mutually exclusive.

I am using the cataract operation example. A Medicare cataract operation, for certain (inaudible), may be a certain level of care versus a Park Avenue cataract operation. How do you deal with that?

MRS. CLINTON: That's a very important question, and it's something that we deal with a lot -- actually, we deal with it the first time to make available information about quality, which is not generally available.

Part of the reason we don't have a true marketed health care is all of us believe whatever our doctors tell us until they do something that make us not believe them anymore. They have some pretty (inaudible) unbelievable.

And so we are all basically buying whatever they tell us to buy, whether it's good for us or not.

The (inaudible) that a Park Avenue cataract is better than a Medicare cataract. How do we judge our doctors? Well, the type of car they drive, what kind of furnishings do they have in their office. Well, it looks like they must make a lot of money. Therefore, it's like the guy with the big used car lot on three corners. You have people (inaudible) successful.

We have no adequate information about quality. And (inaudible) physicians don't have a lot of peer kind of quality icon information.

Let me just give two quick examples. The State of Pennsylvania started to collect some information about (inaudible) and quality outcome on a couple of procedures a couple of years ago. (Inaudible).

They put out every year a publication which ranks

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hospitals on their outcome with patients, mortality and morbidity. How much it costs to do the operation. The one I am most familiar with is the bypass.

Now, in Pennsylvania you can go to a hospital and get a bypass for \$20,000 or you can get one for \$80,000. There is no evidence the \$80,000 bypass is any better than the \$20,000 bypass. In fact, there is a little bit of evidence, based on the mortality, morbidity, that it may not be as good as (inaudible).

No other state has this information. So how do I as a consumer when I am shopping around for these decisions? And in fact I have a friend who (inaudible) a bypass in Pennsylvania. And was convinced, by looking at this data and talking to people that the hospital in his hometown as just as good as the University Hospital or the hospital in Pittsburgh because he could actually see with his own eyes how the cost will range, and the physicians there have good outcomes.

So I think we have done a much better job in the medical community in giving you information. This plan requires report cards, it requires regional collection of (inaudible) data, it requires consumer information to be available. So that when you make your own choice about what health plan you want to join, you are going to have information beside hype to make the judgment.

The second point I'd make about that is that physicians need to do a better job in conveying information among themselves and being open to new ways of judging quality. The bypass is another example.

Right now a surgeon does not get paid, if he is a bypass expert, unless he does a bypass. That's how he gets paid. That's the piecework example.

Now, if he is at Mayo's, and he is a surgeon, he is on a salary. He is not getting paid on a piecework basis. He has no compunction in referring a patient to a nutritionist, or to a radiologist, or to an internist. It is not money out of his pocket.

In most other settings, including Park Avenue, it is money out of his pocket. If a guy walks in and is a very (inaudible) bypass candidate, and we now know if you change

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diet, and you change stress, you can actually reverse heart disease, this surgeon has no incentive whatsoever to say "You go home, and I am going to send you to a dietician. We are going to put you on a different diet. Then you come back in six months, and I (inaudible) can see a difference in your heart."

He says, "Better schedule you for next week."

That's what we are up against. It is so frustrating because it is so complicated because everybody's doctor is a prisoner of his own experience as well. And so it's not that doctors are lip-reading about their concerns about health care reform. They are speaking out of their own experience.

They are doing the best they can in the system that they are a part of. It's just that that system is not working very well for them or for us in terms of quality or cost.

Q We have time, I think, for one more question.

Q I am not a doctor, nor do I play one on TV, but I have a wife who is a nurse. And in discussing what question what would be appropriate to ask you, she is heavily involved in finding, identifying home health care for people who don't want to be in a hospital, shouldn't be in a hospital, don't want to be in a nursing home. And is very concerned about this program will affect this industry which is one of the fastest growing in the country, I suppose.

I guess I could ask you about what are you going to do for the home health care people. But I think the more important thing is I have heard things around this table here today that I haven't heard part of routine discussions.

And I think that somehow we (inaudible) CBS This Morning broadcast, which has had some very successful town meetings with you and your husband, or some other than you, including Don's own broadcast, needs to be able to provide questions and answers, pointed questions and full answers to these questions so that me, sitting in my living room, can understand what this program is all about.

MRS. CLINTON: I think that's right. A lot of the work that this network did back in September, October,

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November was absolutely first class. I can remember a lot of the coverage.

Our problem is that that's ancient history now. And I know it might be boring for some people, but I think we have proven that you got to keep going over the material again and again. To go back and redo a lot of the approaches you took, and the kind of basic information, now that people are finally focused on it, we will have to answer those questions. So I think you are absolutely right.

Q So if we get back to you with a proposal for some broadcast, or a series of broadcasts, you would consider it?

MRS. CLINTON: I sure will.

And let me tell you what you tell your wife, because I don't want you to go home empty-handed. First of all, you tell her that we are going to try to make much better use of nurses than we have. Nurses need to be part of the team that takes care of patients, particularly primary care.

But we also really believe we've got to expand home health because look at what we've done. It's another one of these tail-wagging-the-dog deal. If you need a nursing home in this country, you spend yourself into poverty, and we'll put you in one. And we'll spend thousands and thousands of dollars a month to take care of you.

If you want to keep your relative at home, we give you very little help at all.

And what we are going to try to do is to expand home health aide and adult day care so that families can take care of their people at home. That's a big part of the President's Medicare proposal.

But, sure, I think we have to look at anything that you all would propose because -- the frustration for me is, though, I don't know, and this is not your job, I don't know how you get the repetition you need to keep the information coming on a regular enough basis. Because it's not always going to be controversial or newsworthy, so you are not going to cover it because there's not going to be some big fight about it.

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But it's only now that people are paying attention to it. I know how you run a political campaign. You pay for advertising. And you do that. But it's very tough, and we can't compete with the groups that are paying for advertising. We don't have that kind of money available to us to give ---

Q Just briefly. When is it going to be on the House floor and the Senate floor? The next few weeks?

MRS. CLINTON: I think it will be either the committee in large measure by Memorial Day or early June, and will be on the floor in June and July.

Q With some kind of a unified plan? The (inaudible) was obviously is in this time frame, but what is it that we are looking at here?

MRS. CLINTON: Here's what I think will happen. We are trying to be supportive, but not directive in any way (inaudible). If you look at what's happening in the House, you are definitely going to have at least two bills out of Health and Labor, I would think.

You are going to have something out of Ways and Means, which is being mysteriously concocted; we are not sure exactly what it is. And you are probably going to have something out of Energy and Commerce depending upon how that rates in the next couple of days.

So you have at least four, maybe five, possibly six bills. But they will then have to somehow call us, and probably in the Rules Committee, I guess is what they will do. And then you may send more than one to the floor. And then the Republicans may still have some alternative out there in the House.

Now, in the Senate Kennedy could report something out any time. I just think he is probably trying to figure out the maximum he can get out, and maybe whether he can get some bipartisan support in addition to Jeffers.

And then the Finance Committee is going to continue doing its (inaudible) to try to get something bipartisan out.

I would be surprised if you don't get some combination of an employer-employee individual mandate

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mixture out of the Finance Committee. At least that's where the combination will come in.

Q Mrs. Clinton, so this doesn't die, why don't you pick what you consider to be the six most egregious lies that are being told about this whole plan, by this (inaudible). Go on, we will (inaudible), and you answer it. Knock him down. Show him what would knock him down.

MRS. CLINTON: This is one of my dilemmas, and it's not your dilemma. I find it very hard to figure out what role I am supposed to play in all this. I don't know that my role is the public advocate as much as --

(Tape interruption)

MRS. CLINTON: I did want to just give you some things that you'd have when I left because it is a perfect time to talk about health care again as we are really focusing in on what the legislation will be.

And I just want, quickly, while you are getting started, just to tell you what's in here. This is a little packet of just the basics, again.

Because one of the things that I have found is that in the past several months there has been so much else going on that much of the work that you all did back in September, October, November, I remember a lot of it, and a number of your shows about health care, which was so good, people are only not paying attention. We almost have to go back and talk through it again, and give them the information that they need.

This has got some of the basics about the President's approach as well as in the middle, along with the companies that support the employer mandates and such, turning into one of the major points of controversy.

This one little pager, that is packed back here, we did for a member for Congress who stopped and thought one day, and said, well, what happens if we don't pass health care reform this year? What are the things that will happen?

It's pretty grim. We are having a big debate about what we should do to reform the health care system. But in many ways the status quo is the worst alternative available

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to us. Costs will shoot back up, businesses will continue to bear the burden for the uninsured and the under-insured, as well as their own employees.

Choices will decline, doctors will have more and more interference with their practice. And spending at the federal, state and local level will continue to balloon. So there is a lot to talk about what the likely outcomes will be in the absence of action this year.

And then I included this, which I just saw today, which is an interesting little piece about "What happens if on toward the later summer, early fall, something that calls itself health care reform is passed by the Congress." And it has some marginal reform in it.

"And the President, who said he wouldn't sign anything unless it were universal coverage, is told, this is better than nothing, you really have to sign it. What would likely happen?" This is a very compelling little piece about that.

Q From what?

MRS. CLINTON: This is from the National Journal by a health care expert who works for the Journal.

I was on the plane, and I was looking at my mail. And I pulled this out to bring to you because this is kind of what I feel that we are up against. This is one of the many mailings that are flooding the mailboxes of Americans, particularly older Americans.

You can see it looks very official. This is the National Referendum on Health Care Reform. And on the back it says "Notice. \$5,000 reward for information leading to the conviction of anyone unlawfully interfering with the delivery of this voter ballot."

And I got it because this older woman in Missouri wrote me: "Mrs. Clinton, this is what we received that is very confusing. We believe you and our President, but please tell me how much of this is true. One of your supporters." She has her name.

Then she has, "P.S. Maybe I am getting too old to understand. I'll be 75 March 25th. I would appreciate a

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reply."

And then you open it up, and it's "How Mrs. Clinton's health care reform plan will affect you." And it basically says "You must stop Hillary Rodham-Clinton from restricting your medical care, restricting your freedom," and on and on.

Q Who would that be from?

MRS. CLINTON: This is the kind of thing that we are seeing all over. I hope everybody eats, because I won't. So just don't, you know -- this is what we are sort of struggling with.

There is an extremely well-organized kind of -- let me just say right-wing opposition to health care reform brought to you by the same people who oppose Medicare and oppose most other things that people try to get done positively. It's a combination of forces.

You've got most of the right-wing radio talk show hosts, who are in a daily, relentless battle against health care reform and against the President and me for trying to reform health care.

You've got the religious broadcasting networks, both TV and radio, which also have taken on opposition to health care reform as part of their religious mission.

You've got the new cable channel by the Republican Party, which is constantly against health care reform.

Then you have a whole group of ancillary organizations that work directly or indirectly with the Republican National Committee. And all these little front groups like -- I don't know who this is. It's the Council for Health Care Reform in Arlington, Virginia.

But there is a cluster of them in Arlington and Fairfax who all coordinate their efforts, and are basically doing whatever they can to oppose health care, and are doing it by trying to attack us personally. But beyond that, to basically say, look, this is a socialized medicine, the government is trying to take you over.

And they are now running ads where you've got a

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mother with a child, and the mother calls the number, and the number says, "You know, I am sorry, your government doctor is not in. Call back in the morning."

It's that whole kind of organized opposition that is ideologically opposed, that is very well financed, and very well organized, and is able to produce literally millions of pieces of mail like this.

We are kind of in a quandary because you've got what is a daily, relentless opposition advocacy going on. And then legitimate press, like all of you, your position is to say, well, Mr. So-and-so, the Clintons say that this is not a government health plan. Senator So-and-so from somewhere says it is.

And you have fulfilled your obligation because you have presented both sides of it. So that's the end of the news coverage. And then we go back to the daily, relentless, constant opposition advocacy.

So we are trying to figure out how we can get better information and communicate more effectively about health care.

Q Where do you think you are in --

A PARTICIPANT: May I just interrupt one second? I just wanted to lay out ground rules before we go any further, so everybody (inaudible).

This is the same thing we did in Washington in the fall. This is a background briefing, which means you can use it and attribute it to a senior administration official.

Q Okay, senior administration official --

MRS. CLINTON: (Inaudible) news to me, but --

Q Where do you and the President see yourselves if you had a plan as to how you are going to get this accomplished? Are you on schedule, behind schedule, on track?

MRS. CLINTON: I think we are on schedule and we are on track. And I think if you look at what the Congress is doing right now, they are proceeding seriously in dealing

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with the issue. You've got three major committees in the House, two in the Senate. They are actually going faster than any of them thought possible when we first started this effort. So I think we are on track.

What I am concerned about is that in the next two months, as the committees start reporting out, and as things begin to happen to consolidate a bill, and to perhaps come up with the floor action in June and July, that it's going to be even more important for the public to get accurate information to help make a decision than it has been at any point in the process.

There are several things militating against that which kind of raise red flags for me. One I have already mentioned, that it's tough to combat the incredible organized opposition.

And, secondly, a lot of the good work that you did back in the fall about what this all meant, people listened to but they didn't focus. So how do we keep getting accurate information out there and communicate effectively with people so that they can be good decision makers?

Every poll that's done, if you ask people now do they support the President's plan -- enough confusion has been sewn, enough of this stuff has ended up in people's mailboxes, but they don't know what they think anymore, and --

Q Well, it's a highly complicated issue to start with.

MRS. CLINTON: It's complicated, it's confusing. So people get kind of uneasy about it. If you go and ask whether they support the major principles of what the President is trying to do, there is majority support.

There is majority support for guaranteed insurance coverage, there is majority support for guaranteeing choice, which is disappearing in the absence of reform. Majority support for doing away with insurance practices, for improving Medicare, and majority support for people getting their health care at the workplace. All of which is what we are people is the most effective way to put this together.

So how do we better communicate, than we have been,

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to make sure that we don't lose the ideological battle. But that instead you have a good, honest debate about what the principles are, and how it should be put together legislatively.

Q You are quite right on the polls in that they do associate the tenets of your plan with something they like, but not always the President's thing. That seems to me it works for you. If bills continue -- if stuff comes out of conference with the right aspect of health care in it, you should be in pretty good shape. And aren't you fairly confident about that at the moment?

MRS. CLINTON: Yes.

Q Isn't it the ideological thing you are worried about and also whether or not we lost last fall?

MRS. CLINTON: Yes.

Q The answer to the latter of that is, no. We are all very self-conscious about how much we did on health care last fall, and know that we have to come back at as well.

MRS. CLINTON: I think that's absolutely right there. I do think that any person who looks honestly at what it takes to move our system to one that includes everybody, but building on our strength, comes up with the same basic prescription. They may go at it slightly different.

You argue on the edges about what exactly the employer-employee mandate should consist of, and all that, but you basically come out in the same place.

What we don't want to have happen is that there gets to be such a head of steam behind the ideological opposition that instead of having the argument over what is the percentage of responsibility, is there a role for an individual mandate plus an employer mandate, in what way would that be put together, you end up with people basically saying we are against government medicine, and distorting the debate since that's not what we are proposing at all.

So we are trying to figure out how to get through that fog. And having you and everyone around this table take up health care again to help that debate is very important to whether it's going to be successful.

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And the thing that troubles me when I look at what's going on, I worry that with the incredible effort that's going into what I call the kind of bad-faith opposition, that you begin to undermine the good-faith opposition as well as the support.

That's what bothers me. And that's what I am trying to figure out how we in the administration and you in the media can play a more constructive role in trying to get good information out to people.

Q But do you mean by bad-faith opposition just somebody who disagrees with you on ideological grounds about the degree of socialized medicine or anything else? Or do you consider the bad-faith people the people who don't like you and your husband?

Q Who are factually wrong.

MRS. CLINTON: Yes, who lie about the plan. I guess that's how I would put it. My theory is that a lot of the people who are out there, who are ideologically opposed, are the same people who were against Social Security and Medicare. You are never going to change their mind.

But they have become much more sophisticated. And so they have been able to sort of pick the hot button and run these ads about how if the Clintons have their way you have to see a government doctor. It's just a flat-out lie.

If their hand doesn't get called, if nobody exposes them, then it's hard to get into what should be the national debate, which is, in my terms, between the good-faith opposition and those of us who are supporting this particular plan, and how we --

Q This particular one comes from the American Medical Association and the other associations?

MRS. CLINTON: No, no.

Q The doctors? Who do they come from?

MRS. CLINTON: Well, I tell you, if you look at the support that we have from the medical community, we actually have the five or six biggest physician associations supporting us. We've got internists, family docs,

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pediatricians, OB/GYNs --

Q Trouble is nobody knows that they even exist.

MRS. CLINTON: And there are more members in those groups together than there is in the AMA. The AMA has been coming around. It's not been picked up, and you haven't reported on it yet, but they have come back and reaffirmed their support for the employer mandate. And we are beginning to talk to them again.

What happened to them is they got spooked by some of their more right-wing members at their meeting in New Orleans some months ago. So they backed off of positions they have had for ten years in the face of this relentless pressure.

If you have a Rush Limbaugh, for example, calling you names, and you are in the AMA leadership, and he is saying that you are a socialist, and you are undermining medicine, and you are going to destroy medical care, you are not used to that kind of opposition. Not as many people have taken as many hits as my husband and I have. So a few hits, they get very weary about what's going on. So they begin to back off. And that's the whole idea behind it.

So the answer to your question is, this is the hard right with its media allies, its religious allies, its Republican allies, who are not the entire Republican Party by any means, but certainly the right wing of it. And certain outlets like the editorial page of The Wall Street Journal which are relentlessly opposed to any kind of reform on ideological grounds.

And so they are willing to lie about it because it's your thing to do. And so that puts us at kind of a disadvantage in trying to figure out how you negotiate with your good-faith opposition and try to undermine and keep at bay and point out the lies of the bad-faith opposition.

Q We haven't (inaudible) as it comes up in the news. We have represented here four magazine programs with the correspondents and the producers. I am sorry Tim Johnson isn't here, and he very much regretted not being here.

But I think one of our biggest problems is how do we convey this within a magazine program. It's terribly

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important that people understand it. We can't all do a primer, although maybe take a group and each one take a different subject.

But I think we need advice and counsel from you people as well. You can't come on every single program, you and the President, and do it. But we need help in making it understandable and palatable and picturesque and everything else that one would do.

On magazine programs it is important -- and the producers are in here as well -- but how do we present it in a way that everybody doesn't go "click" and turn on our opposition. So I think we would all welcome thoughts and ideas.

And also timetable. When is the best time to really gear up if we all decide that we want to do something or can do something.

MRS. CLINTON: I think that's a great series of questions. I would say that we are moving into the right time period. May will be an intense period for committee action. A lot of decisions will be made. We expect most committees will report out a bill, or more than one bill, by the end of May, 1st of June.

Then we will have some short period of time when bills are consolidated in some form. Like in the House of Representatives, it will be in the Rules Committee where I guess all the bills that come out of all the committees will end up, and they will decide how many bills will actually sent to the floor.

But I would think floor action would start in late June and July. And depending upon whether we've got any agreed-upon consensus, it's conceivable that you could have a bill by the August recess. And then you'd have a conference, and then you'd have the vote as soon as they got back from the August recess.

So this is going to be an intensely interesting story to the American people, increasingly so. Because it's now getting real. Before, it was abstract, and you talked about principles and all that. Now there are actually bills being written, so it's going to be a lot to explain. And you have to explain the differences between the various bills.

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I mean, I get -- Ed and Labor, as they seem to be heading to do, will report out two bills, report out a single-payer bill, and report out a bill very close to the President's bill. That's a very big issue. I don't know that any committee of the House has ever reported out a single-payer bill before. So, you know, there is a lot to be talked about if that happens.

Then Rostenkowski is going to come with whatever he is coming --

Q Were you taken by surprise by his comments about raising taxes?

MRS. CLINTON: No. Because I think he is exploring every possible alternative, and --

Q But isn't that the same kind of scare stuff that you are worried about?

MRS. CLINTON: No, because I mean -- if you don't have an employer mandate, or if you don't have a requirement that raises enough money, then you have to have some taxes. We've all looked at that.

Q I think everybody understands that. But just the kind of a glib offhand way in which he said it.

MRS. CLINTON: But he does that --

Q "We'll just raise the taxes more."

MRS. CLINTON: I don't know how he does what he does, so I don't particularly follow it from day to day because there is so much going on with everything you guys do, I just take a step back and let him do it.

Q But that does play into public fear that there are some numbers out there that you are not telling them. And that down the road you are going to spring open the box. And they'll say, Oh, my God, there was this much more money, and I never --

Q It also plays into the stereotype, big-spending Democrats.

Q Right.

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Q We get a lot of mail from business people who want to tell us that their small businesses will go out of business if they have to start paying for their employees, like you ask them to; or that they will lay off a certain number until they get below whatever your minimum is. (Inaudible).

It's a tough story for us to get our hands around because I don't know how to even -- it's not a question of explaining your side. It's a question of proving the accuracy of the promises that it won't destroy American businesses. So how do we do that?

MRS. CLINTON: I think that's one of the hardest things to do which is kind of disproving a negative. It's very tough. But there is a lot of information out there that I think you could go to to help explain why we believe that you will not have a net job loss.

There's a couple of things you could look at. Every time the minimum wage has been raised in the last 15 years, the same people have said the same things. They have said if you raise the minimum wage, we are out of business. We will shut our doors. A small restaurant won't be able to keep going.

There is absolutely no credible evidence that that happens. And in fact there is a lot of increasing economic evidence that the minimum wage actually has stabilized employment for the smallest businesses. That seems to me to be the closest analogy that we've got.

What we are asking for is less than the 50 cent an hour minimum wage increase. So you've got empirical data that you can go back and look at because the minimum wage was raised under, I think, Bush, Reagan and Carter. So you've got a pool of information. And you can say, look, it's maybe not a perfect analogy, but we do have this evidence.

Secondly, what we are trying to do with providing discounts to small businesses and subsidy, puts them in a much better position than they are in the current insurance market.

Much of what you hear from small business, I hear also. It's based on their fear that they are going to somehow get disadvantaged even more than they are by being

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required to pay for insurance and knowing that the insurance market is stacked against them. And they don't understand how we are going to be changing the insurance market dramatically and eliminating a lot of the costs that are otherwise paid for.

Thirdly, I have found it very helpful, in talking with lots of small businesses, to actually go over their books with them, and to say, how much do you pay now for workers comp? We are going to be eliminating over the next several years a major part of your workers comp obligation. How much are you currently paying for the health part of your auto insurance, because most small businesses expense a car. We are going to be eliminating that.

To actually sit down and go over the records with them, and to talk about the dollars and cents, what it would cost them, and how it would be phased in, is the best answer.

And somebody like Erskine Bowles, who runs the Small Business Administration, who actually started small businesses for a living, is just superb at doing that, and being able to kind of answer the questions in a very matter-of-fact way.

Now, that doesn't mean they are going to agree with the answers. But at least you get accurate information out there, and then they can make their own judgments.

Q In fact, would you say you've actually made headway with small business --

MRS. CLINTON: Mm-hmm.

Q -- as opposed -- you are not quite (inaudible) as you were before; are you?

MRS. CLINTON: No, I don't think we are. I don't know if any of you saw a town meeting that then President did a few weeks ago where a guy from a pizza company--

Q Yes.

MRS. CLINTON: -- stood up and kept saying, "You are going to put me out of business" and all that. Well, we basically called the pizza company guy -- I didn't, but people in the administration did -- and pointed out to him

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that a very big percentage of his work force are minors. They are minors in insurance terms, which means they are younger than 23. They will be carried on their parents' policy. He is not going to be paying for those people.

They kind of walk through the steps of what he asserted, based on the little NFIB sheets that he has been given, and they kind of walked it through and compared it to his real situation. He wasn't anywhere near as bad off as he had been led to believe.

So there's a lot going on, there's a lot shifting out there. It's a very fluid political situation on a lot of issues including business support.

Q I read in a magazine -- I don't know if you have seen it or not -- one of my health magazines, hypochondriac that I am, there is a new computer game -- do you know this -- called Simhealth (phonetic) which puts you in control of the entire U.S. health care system and keeps you posted on how your actions affect your standing in the public opinion poll. And that it's sold as a companion piece to a game called Mortal Combat.

MRS. CLINTON: No, I need that.

Q I thought this is in your honor.

MRS. CLINTON: I need that.

Q I wanted to ask about something else which is sort of a general psychological impulse, it seems to me, at work there. Every time -- and I don't know if you have it, too. Every time anybody I know goes to a doctor, their level of depression and dispiritedness, not just in anticipation --

Q You mean the doctors?

Q The doctors, yes. Not in anticipation of the health care program particularly, but just that they feel the course of medicine is taking them less away from romantic individualism and more toward bureaucracies and control. And in a funny way I wonder if their, however monthly, occasional expression to all of their patients, are the big part of what is causing everyone to hesitate at the door of this.

If doctors could once again be -- we all believe

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that we have a great medical system in this country, in part because we have had the smartest people going in medicine for so long. And there is a feeling that that is on its way out. I don't know how they can be reassured. But I do think in a funny way they are individually --

Q Part of what goes with that -- and I think it's very confusing -- the thing that we hear the most is you won't be able to have your own doctor.

MRS. CLINTON: Right.

Q And I hear it from doctors, and I hear it from doctors who have met with your groups, when they had it at the hospital here. Can't have your own doctor. Even if you are very rich and you want to pay for your own doctor. I think that may be the most confused -- I'd like to hear --

Q Where did that come from?

Q And what is the true story?

Q The Wall Street Journal, among other places.

MRS. CLINTON: Yes.

Let me just answer because both these questions I think are very on target. Because there is kind of a malaise in the American medical community right now that has nothing to do with reform. In fact, it is fuelled by all of the trends in the marketplace that we are trying to change. And that's one of the real frustrating pieces of this.

Just take a couple of the key issues, tracing the foremost one. The reason the choices you popped out front so quickly is because of the (inaudible) ad. And I have to give the independent insurance agents a lot of credit.

They did very excessive marketing research. They realized they couldn't run ads saying you need your independent insurance agent, so that's why you should pay 20 to 26 percent administrative cost to your insurance company. Once people knew that we are paying that much there would have been a revolt. So they went right to the gut of what most of us care about.

I personally don't care how my medical system is

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financed as long as I get to choose my doctor and the hospital that I go to. That's what's important to me.

So they began this campaign which basically said you are going to be deprived of choice.

Now, the facts are these. Right now, as we sit here, fewer than half of the Americans who are insured any longer have choice. Because companies like ABC, in an effort to cut costs all over the country, are basically telling their employees here are the doctors you can go to; if you want to be insured at work, here is the HMO you must join. If you want anything other than that, you have to pay a whole lot more on your own.

So choice is being taken away right now, and doctors are responding to that. Every day doctors get calls from patients who tell them, "I can't come see you anymore because my employer changed his plans and you are no longer on the approved list."

So in the absence of reform, you are losing choice. Everyone of us is in danger of losing choice except the very richest of us who will be able to continue to have choice. But for the vast majority of Americans, it is becoming less and less real.

Under the President's plan, choice is guaranteed. So we are finding what is in effect a kind of big lie that was promoted by insurance companies.

Now, it is true that under the President's plan you will be a cost-conscious consumer, and you will have a financial benefit, as you do now, if you choose an HMO. Because, presumably, they can offer services cheaper. But it will be your choice.

Q Why don't doctors know this? I mean, heads of major hospitals in New York -- and I don't want to give name, except in deep background -- say, that's not true, you don't have choice. Big cancer hospitals.

MRS. CLINTON: I don't know because I talked with them myself and they have never raised that with me. Their concern with me is whether we will have enough funding for academic health centers. But not the choice issue. And so, I don't know. Because I would love to have that

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conversation.

Q Isn't your choice circumscribed by the HMO that your alliance chooses?

MRS. CLINTON: No, no, because it's your choice. If you don't want the HM -- well, the way that this would work, and this is the -- let me stress this choice thing. The way this would work is the way the federal health plan works now for federal employees in the civilian work force. People like my husband and members of Congress.

The federal government acts as the employer and pays 75 percent of the health care cost. The federal government goes into the marketplace and says to every health plan anywhere in the country, where there are federal employees, would you like the opportunity to bid on the services to provide health care to federal employees?

Dozens and dozens and dozens of health plans of course say, yes. Every year we get a bunch of brochures. We get to go to a meeting, if we want to. We get everything explained to us. And then we make the choice. There's a range of HMOs, there's a range of PPOs, there's the fee-for-service Blue Cross-Blue Shield plan.

Now, if I choose an HMO, I am going to save some money. And maybe -- that's my choice.

(End tape 2, side 2.)