

# The Executive Memorandum

The Heritage Foundation

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**RUSH!**

## WHY THE CLINTON ADMINISTRATION WILL BE EXEMPT FROM THE CLINTON HEALTH PLAN

The Clinton Administration is very sensitive to nine million special Americans who are anxious about being included in the Administration's proposed national health care plan. These worried Americans are Administration officials, the White House staff, Members of Congress and their staff, and other federal workers and federal retirees, as well as their families. In fact, the Administration is so sensitive that it intends to let them stay out of the plan—at least until it has been tested successfully on the rest of America.

It is not hard to understand why federal employees were so alarmed. The White House originally decided that federal employees covered by the Federal Employee Health Benefits Program (FEHBP) would be folded into the new system of state-sponsored "health alliances." But in the health alliances, these public servants would have to accept a standardized package of health benefits, like the general public. Currently they can choose a wide range of benefits to suit their needs. In the health alliances, federal workers would be restricted to a few insurance plans providing this one-size-fits-all package. Currently federal employees and retirees typically have ten to twenty very different plans to choose from. They can choose plans each year during the period known as "open season," which started yesterday and lasts just over one month. And they would have to pay their share of the cost of a "good *Fortune 500* plan," as the Administration puts it. Currently, they can pick a less expensive streamlined plan if they wish.

Advocates for the federal work force lost no time in informing the Administration of the plight of Members of Congress, cabinet secretaries, and the other federal workers and retirees. Among the remonstrations were letters from Representative William Clay, the Missouri Democrat who heads the House committee responsible for the FEHBP, and James King, who as Director of the Office of Personnel Management is responsible for running the program.

**Worried Federal Workers.** King drew particular attention to the uncertainty and confusion felt by families in the federal work force. As King explained in a September 17th letter to Hillary Rodham Clinton:

In an environment where workforce reductions and other potential changes are already creating uncertainty and anxiety [among federal workers], it is more important that the transition occur successfully and without disruption.

King's solution? Calm the worries of federal workers by forcing other uncertain and anxious Americans to go first. Wrote King:

I think it is important that the FEHBP population be given the opportunity to see that national health reform is working before they are transitioned into it.

Mrs. Clinton agreed. So while steelworkers in Pennsylvania and farm workers in Iowa are scrambling to find out what the plan will mean to them, and how it will affect their job security and health care costs, federal workers and lawmakers can rest assured that their lives and pocketbooks will not be disrupted by the plan. In the legislation presented to Congress last month, the FEHBP is to continue until January 1998, when the rest of America is scheduled to be under the Clinton program. Congress and the White House will by then be able to deter-

mine if it actually works and if is good enough for federal workers. If it is deemed not to be, legislation could be passed in 1997, safely after the 1996 election, to continue the FEHBP indefinitely.

**Simple and Successful.** Some Members of Congress believe, in contrast to the Clinton Administration, that if federal workers and Administration officials are so desperate to keep the FEHBP for themselves, perhaps that program might be a better basis for a national program than the plan the White House wants to impose on the rest of America first. Indeed, as James King's letter itself points out, the FEHBP has been identified by many as the "living model" of needed reform, thanks to such features as full portability of benefits and consumer choice of benefits.

The legislation creating the FEHBP, moreover, is just 26 pages long, compared with 1,342 for the Clinton plan. The entire FEHBP, which spans the nation, is run by just 144 federal officials, compared with the Administration's estimate of 50,000 bureaucrats merely for staffing the health alliances. Since the FEHBP now covers over nine million Americans, expanding a version of it to cover all Americans likely would require no more than 4,000 officials. And the rate of premium increases in the FEHBP over the last fifteen years have averaged one-third less than in corporate-sponsored plans. Federal workers now picking their coverage for next year face an average premium hike of three percent, barely above inflation, and some 40 percent will enjoy lower premiums for the same coverage.

Senator Don Nickles of Oklahoma and Representative Cliff Stearns of Florida, both Republicans, are readying legislation to be introduced shortly which would, in effect, let the rest of America into an improved version of the program that the Administration intends to keep for itself and other federal workers. Under the Nickles-Stearns legislation, ordinary Americans would receive refundable tax credits to offset the cost of a health care plan provided through their place of employment or from another source, such as their union. They would be able to pick the benefits that are right for them, rather than a standardized package, just as federal workers are doing right now under "open season." Their plan would be completely portable, and they could not be excluded from any plan because of a pre-existing condition.

The Clinton Administration's legislation, by contrast, creates one set of rules for those who govern, and another, inferior, set of rules for those who are governed. Ordinary Americans will be the guinea pigs to test a health plan that federal workers and Members of Congress will not have to join until and unless the test results are satisfactory. The White House is, in effect, forcing Americans to dine at a restaurant in which the chef and the waiters will not eat the food.

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For further information:

Robert E. Moffit, "Why Federal Unions Want to Escape the Clinton Health Plan," Heritage Foundation *Backgrounder* No. 953, August 4, 1993.

Robert E. Moffit, "A Guide to the Clinton Health Plan," Heritage Foundation *Talking Points*, forthcoming.