

# The Heritage Foundation **Backgrounder**

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**UPDATE**

2/9/94

Number 212

## WHY AMERICANS NEED TO KNOW THAT CONGRESS'S HEALTH PLAN IS NOT CLINTON'S

(Updating *Executive Memorandum* No. 369, "Why the Clinton Administration Will Be Exempt From the Clinton Health Plan," November 9, 1993, and *Backgrounder* No. 953, "Why Federal Unions Want to Escape the Clinton Health Plan," August 4, 1993.)

You know, my fellow Americans, this is really a test for us. The American people provide those of us in government service with terrific health care benefits at reasonable costs. We have health care that's always there. I think we need to give every hard-working, taxpaying American the same health care security they have already given to us.

—President Bill Clinton  
State of the Union Address  
January 25, 1994

President Clinton is right to thank the American people for giving Members of Congress, Administration officials, and other federal workers an excellent health care system. He is also right to demand that ordinary Americans should have the same health care security that public officials have. The problem is that the Administration's health care bill would not do that. If federal workers manage effectively to avoid inclusion in the Clinton system, as many union leaders are striving to achieve, then there will be one system for those in government and a very different system for the American people. But if federal workers are indeed the last group to be covered by the Clinton plan, as the bill currently provides, they will have to accept severe limits and changes in the coverage they now enjoy.

Almost 10 million federal employees, retirees, and dependents are covered by a program known as the Federal Employee Health Benefits Program (FEHBP). It is characterized by consumer choice and competition.<sup>1</sup> The Administration's health care reform proposal differs markedly from this system enjoyed by Members of Congress and other federal employees.<sup>2</sup> For example:

- ✓ **The FEHBP permits federal workers to choose not only different plans, but also very different packages of benefits.** Thus, federal workers can pick various combinations of benefits at different prices. They can decide to pick a relatively generous plan covering, for example, 100 percent of inpatient hospital-

1 For an excellent discussion of the FEHBP, see Robert E. Moffit, "Consumer Choice in Health: Learning From the Federal Employee Health Benefit Program," Heritage Foundation *Backgrounder* No. 878, November 9, 1992.

2 For a comprehensive examination of the provisions of the Clinton Plan, see Robert E. Moffit, "A Guide to the Clinton Health Plan," Heritage Foundation *Talking Points*, November 19, 1993.

ization or a plan considerably less generous, at less cost to them. Moreover, Members of Congress almost always have refrained from legislating specific medical services in the FEHBP, realizing that such mandates drive costs up for all federal employees and their families.

**The Clinton plan** would require ordinary Americans, with their employers, to purchase a standardized package of benefits. Under the Clinton plan, the Congress would legislate these benefits—and even medical services—in meticulous detail. And a National Health Board, a powerful new government agency, would add or subtract benefits, depending upon whether the Board determined them to be “medically necessary.” Many families would be forced to buy benefits they did not want, but often the package would not include benefits they did want. If they wanted benefits not included in the standard plan, families would have to buy extra insurance or pay out-of-pocket, in after-tax dollars.

- ✓ **The FEHBP allows the consumer to decide whether a plan is good value for money or if it is too expensive.**

**The Clinton plan** empowers health alliances to decide if a plan is too costly, based on an alliance spending target set by Washington. So a family may wish to pay for a certain plan that includes the standardized benefits package requirement, but the alliance may determine it unacceptable—in which case it would be illegal for the family to purchase it.

- ✓ **The FEHBP allows federal workers to pick and keep their plans.**

**The Clinton plan** enables states to set up a single-payer, government-run system, thus eliminating private insurance plans altogether. Alternatively, the Clinton plan also allows state health alliances to take a plan away from families if the alliance determines spending by members of the plan might exceed a budget target based on directives from Washington. The alliance thus could drop the more expensive plan from a roster of state-approved plans, forcing families who had been covered by that plan to choose coverage from among the remaining approved plans.

- ✓ **The FEHBP is voluntary. Federal workers are not required to join it.**

**The Clinton plan** is mandatory. It would be illegal for family not to purchase the comprehensive standardized package through a health alliance (or a corporate alliance, in some cases).

- ✓ **The FEHBP is not burdened by premium caps or price controls.**

**The Clinton plan** imposes rigid premium caps on insurance and imposes a variety of price controls in the form of government or “regional alliance” fee schedules on health care providers. Controlling the prices of doctors, hospitals, and even long-term care insurance in this way would lead many doctors to cut back on the time they spend with patients.

- ✓ **The FEHBP is not burdened by a huge government bureaucracy.** The 34-year-old law creating the FEHBP is only 26 pages long, with 83 pages of rules in the *Code of Federal Regulations*, and another 93 pages of guidance in the *Federal Personnel Manual*. The program is run almost entirely by the private sector. The FEHBP central administrative staff at the Office of Personnel Management, the agency responsible for the program, is relatively small: 144 people.

**The Clinton plan** is outlined in 1,342 pages of legislative language creating new federal agencies and enormous regulatory powers. Chief among them is a National Health Board functioning as a kind of “Supreme Court of Health,” plus a large number of panels, advisory boards, review boards, and commissions, staffed by an unspecified number of federal employees. Thousands of pages of regulations would be needed to set up the system and to enforce its provisions. On top of new federal agencies and panels, the Clinton Plan creates hundreds of “regional alliances,” non-competitive,

government-sponsored health insurance cooperatives, staffed by as many as 50,000 bureaucrats, under the regulatory authority of both federal and state government agencies.

For all of the White House rhetoric that the Clinton Plan resembles the arrangement currently enjoyed by Members of Congress and federal workers, the reality is very different. In fact, the White House knows very well that federal workers and their representatives want to escape the Clinton Plan.<sup>3</sup> And if federal workers are finally forced to join the system, they will have to accept drastic changes in coverage.

While the Clinton Plan is very different from the solid system the President holds up as the model for reform, another bill before Congress is designed specifically to give ordinary Americans the same kind of choice and competition available to Members of Congress and members of the Clinton Administration. This is the Consumer Choice Health Security Act (S.1743, H.R. 3698), introduced in the Senate by Don Nickles (R-OK) and in the House by Cliff Stearns (R-FL). The Senate version, with 25 co-sponsors, has more co-sponsors than any health bill other than the President's.

The Nickles-Stearns bill would, unlike the President's legislation, give ordinary Americans a health system very much like that enjoyed by Members of Congress. Only it would be even better. Among other things, families would be permitted to pick the benefits *they* wanted in their health plan, provided the plan included at least catastrophic protection. Families would own the plans directly; they never could be taken away by a state government, a health alliance, or anyone else.

President Clinton is right to draw attention to the excellent health care system he and other public officials take for granted. As ordinary Americans learn more about the system available to their representatives, many of them say they would like a similar system. But President Clinton is grossly misleading the American people when he claims that his plan would deliver such a system.

Stuart M. Butler  
Vice President

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<sup>3</sup> See Stuart M. Butler, "Why the Clinton Administration Will Be Exempt From the Clinton Health Plan," Heritage Foundation *Executive Memorandum* No. 369, November 9, 1993; and Robert E. Moffit, "Why Federal Unions Want to Escape the Clinton Health Plan," Heritage Foundation *Backgrounder* No. 953, August 4, 1993.

