

1 administration in seeking to deliver the disaster relief.
2 Having been through Hurricane Hugo, I know what a wrenching
3 experience you went through.

4 The President has also stood up for states in
5 some difficult budget negotiations and we hope that
6 newspaper accounts are correct and that he is planning to
7 propose full funding of the highway program. I look forward
8 to our continuing work together in the coming months on
9 finding common ground on problems that are facing us.

10 I am proud this morning to have the opportunity
11 to present to you the President of the United States.

12 (Applause.)

13 PRESIDENT CLINTON: Thank you very much.

14 Did anyone ever ask you what do Carroll Campbell
15 and Bill Clinton have in common? You would say they have
16 the same throat disease.

17 (Laughter.)

18 PRESIDENT CLINTON: He's doing better today than
19 he was yesterday. I'm doing slightly worse. The good news
20 is you get a shorter speech.

21 I want to thank you all for being here and for
22 your common concerns. Yesterday we had a good meeting,

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1 especially, I thought, a very good discussion about the
2 problem of crime in our country and the crime bill, the
3 necessity to put more well trained police officers on our
4 streets and to take repeat violent criminals off the streets
5 forever. But also, the necessity to be smart about crime.
6 To do things that make sense to you and your law enforcement
7 officials.

8 Today I want to talk a little bit about two other
9 fundamental challenges that we face: health care reform and
10 welfare reform. They are linked inextricably to each other
11 and in order to meet these challenges we will have to have
12 an open and honest partnership both in passing the laws and,
13 perhaps even more important, in implementing them.

14 We began our partnership, at least with me in
15 this new job, about a year ago today when we had a very long
16 and fruitful meeting at the White House. I think it ran in
17 excess of three hours. That meeting resulted, among other
18 things, in the approval of every major waiver for state
19 health care reform that you had requested. There have been
20 five of them and about 90 smaller waivers to enable
21 different changes to be made at the state level. In
22 addition to that we have now granted waivers to nine states

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1 in the area of welfare reform.

2 I do believe that states are the laboratories of
3 democracy. I do believe that where people are charged with
4 solving the real problems of real people reality intrudes
5 and politics more often is likely to give way to making
6 progress.

7 Last August you all said, Democrats and
8 Republicans alike, that our health care system is in crisis.
9 In the last several days we've had a big linguistic battle
10 in Washington about whether we have a crisis or a serious
11 problem. I think it's better, since we're at the Governors'
12 meeting, to focus on the facts. We do have a system unlike
13 any other in the advanced countries of the world, in which
14 insurance companies decide who's covered and who isn't, what
15 the cost of insurance is and what's covered in specific
16 policies. We do have a system in which the number of
17 uninsured people is going up significantly. We do have a
18 system in which more and more Americans, therefore who have
19 insurance, are at risk of losing it if they get sick or if
20 their job goes away.

21 We clearly have a system, as our SBA director,
22 Erskine Bowles, of North Carolina, never tires of telling

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1 me, where small businesses have premiums that are, on
2 average, 35 percent higher than large businesses or
3 government. We have a system in which state budgets have
4 been extraordinarily burdened by the exploding costs of
5 their Medicaid match so that last year, for the first time
6 ever, states spent more money on health care than on state
7 funded higher education.

8 We have a system in which the lowest estimate of
9 uncompensated care burdens on hospitals is \$25 billion a
10 year. In which 58 million Americans, according to the
11 Medical Association, are without coverage at some time
12 during the year. In which 81 million Americans have a pre-
13 existing condition which means either that their premiums
14 are higher or that they can't get insurance or that they
15 can't ever change jobs, which is an enormous burden in a
16 system in which labor mobility is, I am convinced, the key
17 to personal and family prosperity as we move towards the
18 21st Century.

19 Finally, we have a system in which three out of
20 four insurance policies have lifetime limits, which means if
21 you get really sick you might run out of insurance in the
22 middle of the time when you need it most.

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1 Now, those are facts. They can be seen in the
2 million letters, almost, that the First Lady has received
3 since we started this whole effort to deal with health care.
4 On the way in I was describing briefly to Governor Campbell
5 a letter I got, or she got from Joanne Austeen, of Sumpter,
6 South Carolina, who owns a small business, works six days a
7 week, raised three children by herself with diabetes and
8 arthritis. Although she had diabetes and arthritis when she
9 wrote us she hadn't been to the hospital one time in the 12
10 years that she had been with her insurers but her insurance
11 rates went up to \$306 a month, even though she was taking
12 home only \$205 a week from her business. He doctors told
13 her that the answer was quit and go on disability so she
14 wrote "Those high premiums are going to force people like me
15 to the welfare and food stamp lines with no insurance. I'm
16 a proud American and I don't want this to happen to me. I
17 have thought about nothing but this problem and I don't know
18 where to turn."

19 Well, I think we ought to heed her call for help.
20 A lot of you do too and that's why you've tried to reform
21 you health care systems. After all, this woman has values
22 that keep this country together. They're the ones that

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1 built our nation and we shouldn't force people like that to
2 consider seriously whether they should go onto public
3 assistance in order to take care of their children.

4 There's a flip side to this too, this connection
5 between welfare and health care, which I want to mention. I
6 talked about it a little in the State of the Union address
7 but we often say to people they should leave welfare and go
8 to work, and we know that welfare benefits themselves in
9 real dollar terms are lower today than they were 20 years
10 ago in most states so that the welfare check has almost
11 nothing to do with why people stay on welfare. They stay
12 because of the medical care and because of child care and
13 because they have low skills.

14 But we have this incredible situation in our
15 country where if someone on welfare leaves welfare to take
16 an entry level job that doesn't have health insurance as
17 soon as the coverage of the Family Support Act runs out you
18 have people making low wages, paying taxes to pay for health
19 care for people who stayed on welfare, who didn't make the
20 same decision they did.

21 So these two issues are clearly tied together and
22 we need to see them together as a part of what it would take

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1 to make America a place where people who work hard, play by
2 the rules, and believe in the kind of values that permeate
3 the efforts that all the governors around this table are
4 making, are rewarded for that.

5 Now, we've made a beginning. Last year the
6 Congress passed, in the context of the Budget Act, a huge
7 increase in the Earned Income Tax Credit which lifts
8 families with children on modest wages out of poverty. When
9 the tax bills come due this April 15 a total of about, we
10 estimate, 50 million families will be lifted beyond the
11 poverty line by getting tax reductions under the Earned
12 Income Tax Credit. That means that there will no longer be
13 an income incentive for people to choose welfare over work.

14 But the welfare system has a lot of other
15 problems as well. Too often it still rewards values other
16 than family and personal responsibility. Instead of
17 encouraging those to stay together as we should it often
18 encourages families to break apart. Instead of encouraging
19 children who have children to live with their parents or
20 grandparents it often encourages them to leave home.
21 Instead of enforcing child support and asking those who
22 bring children into the world to take responsibility for

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1 them it too often ignores -- it's too difficult to collect
2 the \$34 billion absent parents should be paying to their
3 children.

4 Perhaps most important, and we were talking about
5 this on the way in, an enormous part of this problem is the
6 explosion of births to people who have never been married at
7 all. And there is nothing in the present system, except
8 where the states have taken the initiative to do it, to stop
9 teen pregnancy from occurring in the first place. Even in
10 the Family Support Act of '88 -- and I want to say more
11 about that because I'm really proud of what we did on it --
12 there was nothing to stop the condition from occurring in
13 the first place. And we need to devote, as this debate
14 takes place, an enormous amount of attention to some of the
15 decisions that we ought to make, some of them quite
16 politically courageous. Governor Campbell talked about some
17 of the things they're doing in South Carolina, which
18 mirrored some of the things we tried to do at home to try to
19 stop these things from occurring in the first place.

20 This year I have committed -- and Senator
21 Moynihan, I think, and Senator Dole probably both talked
22 about this -- to offer in the springtime a comprehensive

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1 welfare reform bill to restore these values of
2 responsibility and family. We want to help those who are on
3 welfare to get on their feet. We want to help them for up
4 to two years with training, child care and other supports.
5 But after that we need to have a system that says anybody
6 who can work and support themselves and their families must
7 do so in the private sector where possible, in a community
8 service job if that's the only work available. To make
9 welfare a second chance, not a way of life.

10 Now, those of us in this room have worked on this
11 issue for years. I was privileged, along with then-Governor
12 of Delaware, Mike Castle, to be representatives of the
13 Governors who worked with Senator Moynihan and with
14 Congressman Ford and others on the welfare reform effort
15 that became the Family Support Act of 1988. Mike Castle is
16 now in the Congress, having changed jobs with Tom Carper.
17 Guess who thinks he got the better deal out of that?

18 (Laughter.)

19 PRESIDENT CLINTON: We never fully implemented
20 that act; you know it and I know it. So we ought to begin
21 asking ourselves did we do a good job then? What progress
22 has been made in the states? There is a lot of evidence

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1 that significant progress has been made in the states that
2 have been most aggressive. Why was it never fully
3 implemented? Partly because Congress never fully funded it;
4 partly because, as you'll never hear the end of it, they'll
5 say well, but the states never fully used all the money we
6 came up with. The states must not have really cared about
7 this because they never provided the state match to use all
8 the funds. You know why the states never provided the state
9 match -- you had to spend all your money making the Medicaid
10 match, which was not optional; it was mandatory. And
11 building prison cells. That's where we spent all of our new
12 money in the 1980s and the early '90s.

13 So I pointed this out not to do any finger
14 pointing but just to say one of the things we need to do is
15 go back and look at the bill, see what's good about it,
16 figure out what it will be necessary to change so that the
17 states can take full advantage of that bill because it had
18 incentives to work. It had supports for families. It was
19 never fully implemented because you had to spend all your
20 money on mandatory explosions in medical costs and building
21 prison cells, many of which were also mandated by the
22 federal courts, if not the Congress. So we need to begin

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1 there.

2 We also need to recognize, again, though I will
3 say that we estimate that about just under one in five
4 people who get back on welfare after they get off do so for
5 a health related reason. Because so many people on welfare
6 -- virtually everyone has younger children -- the loss of
7 the health care coverage for the younger children for people
8 who leave welfare is an enormous disincentive to get off of
9 it.

10 That's why I think that a year ago in the winter
11 meeting the governors hit the nail on the head when they
12 said the kinds of structural changes that must occur in the
13 health care system can't be effective until every legal
14 resident of America has health insurance. I believe that
15 the health care solution and the welfare solution are
16 inextricably linked.

17 Let me say just a few words about health care. I
18 am encouraged by what I understand was said by the speakers
19 before I got here today. And, again, I wish I could keep
20 you in constant session here. You seem to have a leavening
21 effect on the political weather in the Nation's Capital.

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1 is the only way we'll ever be able to control the cost of
2 this system. A simplified system to provide the American
3 people with the security of health benefits that can never
4 be taken away. Unless we do that, too many will continue to
5 get their care in emergency rooms, which will add billions
6 of dollars to the health care bills.

7 Too many will continue to not have certain things
8 covered. Too many, for example, will be part of the
9 Americans who add an estimated \$21 billion to our health
10 care bills every year because they can't afford medicine
11 that would keep them out of hospitals, so they wind up going
12 to the hospitals and costing the American people much more.
13 We certainly won't be able to simplify the system and reduce
14 the unnecessary bureaucracy.

15 One of the things that I challenge all of the
16 folks to do who believe that the beginning of health care
17 reform is to tax the benefits of middle class workers who
18 have generous health care packages is to say how can we do
19 that, how can we start with that when we know we have a
20 system where we spend 10 percent more on paperwork
21 bureaucracy and insurance premiums than any other nation in
22 the world. And these things have nothing to do with health

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1 care. We just have a system that is organized so that we
2 spend a dime on a dollar more on paperwork than any other
3 country in the world. Paperwork in the insurance office;
4 paperwork in the hospitals; paperwork in the doctors office.

5 I just left the American Hospital Association and
6 they have said clearly the only way you'll ever fix this is
7 to have a system that provides basic coverage to everybody
8 so that you can have a single claims form which will be
9 imposed on the patient, a single claims form on the
10 hospitals, a single claims form on the doctors. It is
11 imperative that we do that.

12 There was a study in the New England Journal of
13 Medicine a year or so ago. Two hospitals, one in the United
14 States, one in Canada. The same number of beds. The same
15 rate of occupancy. The same general mix of treatment. One
16 of them had 200 people in their clerical department, the
17 other had six. Now, I don't advocate going to the single
18 payer system for other reasons -- there are other problems
19 in the Canadian system and it is the second most expensive
20 in the world. I think managed competition will work better.
21 But it is clear that we can not justify, in my view, taking
22 something away from the working people of this country

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1 before we clean up the administrative costs of the present
2 system.

3 (Applause.)

4 PRESIDENT CLINTON: I would also say without full
5 coverage I don't see any way to avoid the conclusion that
6 states will continue to bear a disproportionate burden of
7 skyrocketing health care costs. The Lewin study showed that
8 stated would pay less under our approach than if we just
9 left things the way they are and that health care would
10 improve. I still believe in the requirement for employers
11 to cover their employees. First of all, that's the way most
12 people get their health insurance today.

13 Under our approach people would have a choice in
14 their health care program. Now, there's been a lot of
15 discussion about this. Let's go beyond the rhetoric to the
16 reality. Today 55 percent of all employers and 40 percent
17 of all employees who are covered with health insurance
18 through the workplace have no choice in the health care
19 plan, of the doctors they get. They are selected by the
20 employer today. Under our plan every employee would have to
21 get at least three choices once a year, one of which would
22 be just picking your doctor and having fee-for-service

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1 medicine.

2 So I'm all for choice but we need to recognize
3 that if we want the benefits of competition and the benefits
4 of choice we have to move away from the trend that we are
5 setting now. We are moving in the direction of getting the
6 benefits of competition and market power for big business
7 and government. And some of you have asked for reforms,
8 Governor McWherter among others, to put Medicaid into a
9 managed competition environment and get the benefits of
10 that. The problem is some people will get the benefits of
11 that; other people on the other end will lose choice. So if
12 you want to pursue both values at once we plainly have to
13 change the direction in which we are going. And we have to
14 have a different framework if you wish to have both.

15 Now, in spite of some of the interesting art work
16 that's been seen in the last couple of weeks, the Washington
17 Post said that our approach would create, and I quote: "A
18 surprisingly simple world for consumers." You make a
19 decision once a year among at least three plans based on
20 what you want. I wish we could have even more choice. We
21 haven't figured out how to do that yet. But federal
22 employees have a great deal. For example, many of you in

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1 the states have given your state employees more and more
2 choices. And because you have market power you can do that,
3 which is why you have to give some framework for the small
4 businesses to have the same market power that big business
5 and government does.

6 A lot of this approach builds on what I have seen
7 a lot of you do in the states. Hawaii proved a long time
8 ago that if you did it right you could have an employer
9 requirement to cover employees without bankrupting small
10 business but providing better coverage, a stronger work
11 force and lowering health care costs because of the way the
12 market could be organized. Governor Waihee has spoken
13 eloquently about this. You can say well, Hawaii is
14 geographically isolated and, besides that, we all like to go
15 there to surf and play golf and whatever. Well, that's why
16 we want to do it for the whole country instead of just
17 imposing on one state or another.

18 We learned from Minnesota that health care cost
19 targets can be set and met through strong leadership, market
20 forces, competition and high quality. And I'd like to say,
21 Governor Carlson, that the Mayo Clinic, if there were no
22 other example in this country, and there are, if you just

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1 take that one example it is a sterling and a stunning review
2 to those who say you can not provide the world's highest
3 class health care and control costs.

4 We learned from the example of Washington state
5 and of Florida and, most recently, of Maryland that you can
6 pool businesses and families together to change the David
7 and Goliath equation and then small businesses and families
8 can get affordable health insurance that covers the things
9 which need to be covered.

10 We learned two things from Pennsylvania. The
11 first thing is that the Governor of Pennsylvania proves that
12 you can do anything in the health care system.

13 (Applause.)

14 PRESIDENT CLINTON: We also learned that better
15 tracking of costs and outcomes improves the quality and
16 lowers the cost. This is an amazing thing they did and our
17 approach encompasses this. Whatever the Congress does this
18 should be a part of it. Pennsylvania actually took the time
19 to study and report on the cost of different procedures in
20 different hospitals in different parts of the state and then
21 measured the cost against the results proving that there was
22 not a necessary connection in many areas between cost and

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1 quality, and changing the whole environment in terms of what
2 the consumers could then ask for and get. This sounds like
3 a simple thing but in a system this complicated this
4 information, available in a way that people can act on it,
5 is a rarity, not the rule, in American health care.

6 So I believe that if we, at the federal level,
7 can learn from these things and finally solve this problem
8 in a comprehensive way we will go a long way toward dealing
9 with the welfare reform issue and we will lay to rest one of
10 the biggest problems for American families and for the long
11 term stability of our society.

12 Now, what normally happens around here is that
13 everybody gives their speeches and then we have Washington-
14 style reform where we tinker at the edges, expand the
15 Medicaid program for a little bit -- that's what we've been
16 doing for years. Sort of backing toward universal coverage
17 by expanding Medicaid mandates and then at the same time we
18 try to ratchet down federal spending a little more and pass
19 some other incremental reforms. You know what's going to
20 happen. We do that, more mandates on you and less money for
21 you to pay them. That's what's going to happen. More state
22 money put into a system that is fundamentally broken,

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1 without enough security, where someone else is making the
2 fundamental policy decisions.

3 I talked to you a few moments ago about Joanne
4 Austeen, from Sumpter, South Carolina. She wrote us last
5 June struggling to hang on to both her small business and
6 her insurance. She had to make a choice and she chose her
7 business and lost her coverage. After decades and decades
8 it's time to solve that woman's problem because her problem
9 is our problem. And her problem is now the state
10 government's problem.

11 We really can do things around here when we put
12 our minds to it. We've got the deficit going down instead
13 of up. We all got together, some of you mentioned
14 yesterday, in a bipartisan and federal/state way and passed
15 NAFTA when it was given up for dead. That enabled us to get
16 a GATT agreement, which was stalled for seven years.
17 Congress passed the Brady bill after a seven year stall. We
18 actually can do things around here when people work at it
19 and they keep pushing us to make the decision and they keep
20 us all in the right frame of mind and they keep us thinking
21 about real things.

22 You can not escape the real world in the

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1 rhetoric. You can't do it because you're too close to the
2 folks. Here we communicate most often with the American
3 people through an array of intermediaries and most times,
4 too many times, people can't get to us with their real
5 problems. So there is always a danger here that the policy
6 apparatus will just slip the cracks and that we'll forget
7 what this is about.

8 Yesterday Families USA issues this report, which
9 I urge you all to get and read. It just take 10 typical
10 health care situations that actually happened to real
11 Americans and identifies how those things would be dealt
12 with under the major bills pending before Congress. In
13 other words, it's not about politics and rhetoric and
14 theory, it's about real lives.

15 So I ask you to help us do this. You all differ
16 among yourselves, we have some differences with you. That's
17 fine. That's good. That's what this is all about. But I
18 remember in 1987-88 we were struggling to deal with welfare
19 reform and every governor in the country wanted to do
20 something about it and the political rhetoric. So the
21 governors were converging around an issue but the political
22 rhetoric in Washington was diverging right and left. We sat

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1 around here and talked, we tried to get agreement on a
2 policy position. Governor Campbell had just left the
3 Congress where he had been the minority leader of the
4 subcommittee that dealt with welfare and he said to the
5 Democrats and Republicans alike, 'Look, I had to go talk to
6 a bunch of people on welfare and here is the way this works.
7 Here is the intersection of welfare, health care, the whole
8 thing.' It was an incredible moment where all of us had to
9 say this is not about rhetoric, this is about real people.
10 And we went on and passed the Family Support Act, which
11 Senator Moynihan said was the most significant piece of
12 social reform in the welfare area in three decades.

13 Now, we can do this on health care. I don't
14 believe we can do it unless everybody gets the coverage.
15 But we can do it and you can help us do it. If you push the
16 thing together around real problems, real facts and real
17 issues and don't let Washington rhetoric pull the country
18 apart. The country needs you. I hope you'll stay with us
19 until the job is done.

20 Thank you very much.

21 (Applause.)

22 (Brief recess.)

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