Holding Patients Hostage:
The Unhealthy Alliance Between HMOs & Senate Leaders

Executive Summary

This timely new Public Citizen investigative report documents how campaign cash -- particularly unlimited soft money contributions -- has cemented an alliance between pro-managed care interests and Senate leaders that has thwarted strong new patients' rights protections supported by the majority of Americans. Drawing upon interviews with key lobbyists, Capitol Hill staff and written sources, the report details the intimate working relationships between two top pro-managed care trade associations that are major campaign contributors to the Republican Party -- the Blue Cross and Blue Shield Association and the National Federation of Independent Business.

The report reveals the extraordinary range of pressures Senate Majority Leader Trent Lott (R-Miss.) and Assistant Majority Leader Don Nickles (R-Ok.) have deployed to keep reluctant Republican senators in line. And based on a new Public Citizen analysis of political contributions data, the report lays bare the financial ties that bind the "iron triangle" of pro-managed care contributors, their lobbyists and Senate Republican leaders that has worked in concert against strong patients' rights legislation.

Senators Lott and Nickles represent the last bastion of HMO resistance to public regulation of the managed care industry, which most Americans blame for decreasing the quality of health care. In 1998, Lott and Nickles prevented the Senate from even considering the patients' bill of rights. In 1999 they steered a relatively weak patients' rights bill through the Senate by a narrow margin. Only two months later,

the House of Representatives -- including a third of the Republicans who defied their leaders -- decisively passed strong legislation. Today, Senator Nickles chairs the climactic House-Senate Conference on the patients' rights bills. He often makes pessimistic statements on the outlook (he recently told Congressional Quarterly magazine, "It's not a high probability to even have a successful conference."[1]) while his pro-managed care allies fight to kill any legislation.

Among the report's highlights:

- Members of the pro-managed care Health Benefits Coalition (HBC) has given more than $14 million in campaign contributions to the Republican Party and its candidates since 1995 (79% of the total), according to new data analyzed by Public Citizen. Nearly 40% consisted of soft money donations to the Republican Party. Senate Republican leaders Lott and Nickles have established intimate "iron triangle" working relationships with two leading HBC donors/lobbyists: the Blue Cross and Blue Shield Association and the National Federation of Independent Business (NFIB).

- The "Blues," which comprise the nation's largest provider of managed care services, have dispatched Brenda Becker, their national PAC coordinator and a key lobbyist, to serve as one of a small number of co-chairs for major Republican Party fundraising events. She has responsibility for soliciting millions of dollars from the health care industry and other businesses. Becker has co-chaired the annual GOP House-Senate fundraising dinner for the last several years. She co-chaired the Republican National Committee's Majority Fund in 1997 and again this year. And she has personally orchestrated "Leadership PAC" fundraisers for Lott and Nickles as well as golf tourney fundraisers, including an upcoming Nickles-sponsored event at the Republican National Convention in July. (See Appendix A for a complete list of Becker's fundraising activities.)

- NFIB, which chairs the HBC, has emerged in recent years as a pro-Republican electoral force and top strategic partner of the Republican congressional leadership. NFIB-related lobbyists have worked on an almost daily basis with Nickles and his staff in developing a legislative strategy to blunt a strong patients' rights bill.

- According to interviews with congressional staff and lobbyists, Senators Nickles and Lott have employed a variety of strong pressures, including social ostracism, on Republican senators to create near-unanimous Republican support for a weak patients' rights bill. Nickles and Lott also pressured four independent-minded senators into abandoning efforts at bipartisan compromise.

- According to various sources, including a leaked Health Insurance Association of America document (see Appendix B), the Republican leaders came down hard on Senator Jim Jeffords (R-Vt.), Chairman of the Senate Health, Labor and Pensions Committee, for working with ranking Democratic Senator Ted Kennedy (D-Mass.) to produce a bipartisan bill.

- Senator John Chafee's (R-R.I.) efforts to carve out an independent position with Sen. Bob Graham (D-Fla.) were met, according to his former aides and others, with exclusion from various Senate Policy committee briefings on patients' rights issues and severe ostracism by senior GOP Senators.

- Senators John McCain (R-Ariz.) and Peter Fitzgerald (R-Ill.) did not appear at a press conference

to deliver their scheduled endorsement of a last minute Chafee-Graham compromise bill because the leadership warned them off, as a former Republican aide revealed and Sen. Nickles did not deny.

- The HBC and other managed care interests have given nearly $21 million in campaign contributions since 1995. As the patients' bill of rights debate took off in 1997-98, contributions from the HBC jumped 18% over 1995-96 -- despite the general decrease in campaign contributions from the presidential to the congressional election cycle. Republicans have reaped the overwhelming share of HBC contributions in recent years. From 1997 through 1999, Republicans harvested $8.9 million -- 81% of total pro-managed care contributions.

- Unlimited soft money donations to Republican Party committees, especially congressional ones, have become increasingly important. HBC soft money to Republicans jumped from $1.8 million in 1995-96 (a presidential and congressional election cycle) to $2.6 million in 1997-98 (a congressional election cycle) -- an increase of 50%. The share of soft money going to Republican congressional committees rose from 45% to 61% as debate over patients' rights heated up. (See Appendix C for a chronology of legislative activities and large soft money contributions.)

The report concludes that the strong body of evidence linking pro-managed care industry campaign contributions with Senators Lott and Nickles' strenuous efforts to defeat popular patients' rights legislation highlights the need for campaign finance reform. The McCain-Feingold bill would ban unlimited corporate, union and individual "soft money" contributions to political parties, such as the $5.3 million given by HBC members to Republican Party committees since 1995. Senators Lott and Nickles are major impediments to such reform, just as they are the chief impediments to a pro-consumer patients' bill of rights.

A series of Tables and Appendices presents data on managed care interests' political contributions and fundraising activities, and key congressional developments on patients' rights legislation.

Introduction: Patients and Politicians

"We have a political problem because we have an image problem. In polls we're right down there with tobacco companies."

Ben Singer, Vice-President of Public Relations, Pacificare Health Systems, the nation's 5th largest HMO[2]

One of the major political issues in the 2000 election is that of assuring patients' rights to adequate medical care from their Health Maintenance Organizations (HMOs) and other managed care companies. This report documents how escalating campaign contributions -- particularly soft money -- have cemented a political alliance between Senate Republican leaders and the managed care industry and its business allies that has stalled popular patients' bill of rights legislation for more than two years. It details the critical roles played by Senate Majority Leader Lott and Assistant Majority Leader Nickles in blocking strong patients' rights legislation.

In October 1998, the Republican leaders succeeded in preventing a full Senate vote on a pro-consumer patients' bill of rights. In July 1999, Lott and Nickles withstood public pressure for a strong bill, mobilizing all but two Republican senators to pass a weaker measure by a narrow 53-47 margin. Less than two months later, the House of Representatives, including 68 Republicans, defied its Republican leadership and passed a strong patients' rights bill 275-191. As Chairman of the ongoing House-Senate Conference on patients' rights legislation, Nickles will have a major influence over the outcome of the Conference.

Over the last decade "managed care" (health insurance and service delivery mechanisms that limit consumer choice to keep costs down, including HMOs, point of service plans and preferred provider organizations) has transformed the private insurance market. By 1996 about 73% of Americans who had employer-sponsored health insurance were enrolled in managed care plans as opposed to previously dominant fee-for-service plans, which maximized consumer choice.[3] But the consequences of managed care have triggered broad public resentment.

"Americans continue to express generally negative views about managed care," Kaiser Family Foundation analysts observed in February 2000, reviewing surveys it had conducted with the Harvard School of Public Health since September 1997. Over this period, majorities consistently complained that HMOs and other managed care plans decreased the quality of health care for the sick, made it harder for them to see specialists, and decreased the time doctors spent with patients. The public (Republicans, Democrats and Independents alike) overwhelmingly supported comprehensive consumer protection legislation, including the right to sue health plans for malpractice. Even though support for specific protections dropped by about 20 percentage points when estimated annual costs of $200 per family were mentioned, "a plurality or majority still favor[ed] each of the protections."[4]

And the cost of protection became less of a caveat over time. In December 1999, 53% of respondents said that even with the additional premiums, they favored a strong patients' bill of rights, including the right to sue health plans. Only 31% disagreed. Despite a major public relations campaign by the managed care industry in 1998-99, 48% of those questioned thought legislation was needed more urgently than when the debate first began and another 40% thought it was about as urgent now.[5]

Reacting to increased public dissatisfaction with managed care, the issue of patient protection legislation began to pick up steam in 1996 when Congress passed a law requiring minimum hospital stays for new mothers and their babies. That same year, bipartisan bills were introduced to ban "gag clauses" in managed care contracts that limited what physicians could discuss with patients.[6]

In February 1997, Sen. Ted Kennedy (D-Mass.) and Rep. John Dingell (D-Mich.) introduced the "Patient's Bill of Rights Act." Two months later, Rep. Charles Norwood (R-Ga.) and Sen. Alphonse D'Amato (R-N.Y.) introduced the Patient Access to Quality Care Act (PARCA), which notably included the right to sue employer-sponsored managed care plans in state courts for denial of necessary care. Under the reigning interpretation of the Employee Retirement Income Security Act (ERISA) governing such employer plans, state tort sanctions for injuries, including compensatory and punitive damages, were pre-empted by federal law, which lacks such strong remedies.

During the last two years, Congress has intensely debated two different approaches to regulating managed care. One, represented by the House-passed Norwood-Dingell bill (H.R. 2723, the "Bipartisan Consensus Managed Care Improvement Act of 1999"), would extend a broad range of substantive protections to approximately 161 million people covered by ERISA private employer, state and local government, and individual managed care and fee-for-service plans. Included are such rights as access to the nearest emergency room, clinical trials, out-of-network providers and off-list prescription drugs. In addition, women and children would be guaranteed access to obstetricians, gynecologists and pediatricians directly rather than through gatekeepers. "Gag rules" preventing providers from discussing expensive treatments with patients would be prohibited. The bill would also provide for independent, external review of claims of denial of medically necessary benefits. Finally, Norwood-Dingell would change the law to allow the 123 million people under ERISA to sue for damages in state courts for denial of care. Major organized groups supporting the Norwood-Dingell bill include the American Medical Association (AMA) and many other health professions' groups, disease groups, the AFL-CIO, consumer groups, and the Association of Trial Lawyers of America.

The Senate-passed Republican alternative (S. 1344, the "Patients' Bill of Rights Plus Act") would extend many similar, though sometimes narrower, benefit protections -- but only to 48 million people. This is the minority of ERISA-covered workers who are in employer "self-insured" plans, which are exempted even from the irregular patchwork of state laws mandating benefits on health plans. Exceptionally, one provision of the bill would allow overnight stays after breast cancer surgery and another would prohibit genetic discrimination in enrollment and premiums; both would apply to the broad insured population of 161 million. The Republican bill also contains an external review procedure for the 123 million people under ERISA, but the health plan selects its own reviewer and the reviewer could only decide whether the plan

followed its own definition of medically necessary care. Most important, there would continue to be no right under ERISA to sue for full damages in state courts. Key groups behind the GOP's legislation include managed care and health insurance companies and business trade associations.

Several factors help explain why, after three years of debate, Congress in general and the Senate in particular have still not responded to popular demands for patient protections. The dislike of government regulation runs strong among Republicans and especially among their legislative leaders. Sen. Nickles, for example, acknowledges that consumers are experiencing problems with managed care, but has argued that the marketplace should solve them. "I'm not sure you need a legislative solution," he observed.[7] "I'm a strong proponent and a believer in the free-enterprise system. I've been in it all my life and I love it."[8] Nor can one neglect the enormous sums that the main pro-managed care coalition has spent on lobbying -- $148 million in 1997-98 alone -- in the period when it opposed strong patients' rights legislation.[9] In addition, the coalition and its members have spent tens of millions of dollars on issue and image-burnishing ads, much of it in an effort to provide "political cover" for sympathetic Republican legislators.[10]

Still, as this report makes clear, there is a strong body of evidence that large, pro-managed care campaign contributions to the Republican Party, amplified by unusually close collaboration between key donors and the Senate Republican leadership, have played a critical role in the stalling of managed care reform.

Special Relationships:
The Blue Cross and Blue Shield Association, National Federation of Independent Business, and Senators Lott and Nickles

As congressional debate intensified in early 1997 over proposed federal patient protection legislation, leading representatives of the managed care industry and business began meeting regularly to coordinate their efforts.[11] In January 1998, 31 managed care and business groups formed the Health Benefits Coalition. The HBC announced "a campaign against excessive and costly government mandates on employers and health plans," warning that "prescriptive federal legislation in this area will backfire -- increasing health care costs and driving up the number of uninsured Americans."[12] Among its members were such high-powered corporations and trade associations as: Aetna-U.S. Healthcare, American Association of Health Plans, Blue Cross and Blue Shield Association, The Business Roundtable, CIGNA, Health Insurance Association of America, Humana, National Association of Manufacturers, National Federation of Independent Business, Prudential and the U.S. Chamber of Commerce.

Table 1 shows HBC contributions to Republican candidates and committees. Two of the top three HBC contributors during the patients' rights fight, which broke out in 1997-99 were the Blue Cross and Blue Shield Association and the NFIB, which chairs the HBC. Together, as Table 1 shows, they provided about a third of total HBC contributions to Republicans -- $2.9 million out of $8.9 million.

Both associations have extremely close relationships with Senators Lott and Nickles, which enabled them to further enhance their influence and that of other HBC donors in the patients' rights fight. In the case of the NFIB, the relationships were founded on the broad political role it played in the Republican Party; regarding the Blue Cross and Blue Shield Association, the relationship was based on its general role in fundraising for the Republican Party, and more specifically for Lott and Nickles. The NFIB used its political influence to enter into a strategic alliance with Lott and Nickles on managed care; the Blue Cross and Blue Shield Association used its fundraising power to get Lott and Nickles energized on behalf of its economic interests.

Table 1: HBC Member Contributions to Republicans (1997-1999)

Affiliate	1997-1998	1999	1997-1999 Total
Aetna Inc	$206,760	$77,700	$284,460
American Assn of Health Plans	$99,891	$32,750	$132,641
American Automobile Manufacturers Assn	$69,300	$250	$69,550
American Insurance Assn	$375,509	$139,965	$515,474
Associated Builders & Contractors	$1,057,984	$278,250	$1,336,234
Blue Cross/Blue Shield	$1,070,714	$472,667	$1,543,381
Chamber of Commerce of the US	$56, 250	$92,697	$148,947
CIGNA Corp	$583,985	$194,725	$778,710
Food Distributors International	$204,450	$55,450	$259,900
Food Marketing Institute	$532,727	$208,557	$741,284
Health Insurance Assn of America	$157,524	$54,911	$212,435
Healthcare Leadership Council	$69,427	$3,600	$73,027
Humana Inc	$110,850	$10,000	$120,850
International Mass Retail Assn	$18,460	$2,500	$20,960
National Assn of Health Underwriters	$20,164	$3,500	$23,664
National Assn of Manufacturers	$23,500	$7,000	$30,500
National Fedn of Independent Business	$1,146,336	$163,292	$1,309,628
New York Life Insurance	$369,899	$131,350	$501,249
Premier	$2,250	$0	$2,250
Prudential Insurance	$290,625	$120,300	$410,925
Society for Human Resource Management	$6,265	$5,330	$11,595
United HealthCare Corp	$305,300	$49,050	$354,350
Totals	**$6,778,170**	**$2,103,844**	**$8,882,014**

Source: Center for Responsive Politics data (www.opensecrets.org) analyzed by Public Citizen. The data in Table 1 and successive tables reflects all data available electronically from the Center for Responsive Politics as of February 1, 2000. Since some 1999 reports were not yet available, data for 1999 is incomplete.

Blue Cross and Blue Shield Association

The Blue Cross and Blue Shield Association is the trade group for independent Blue Cross and Blue Shield member plans with combined annual revenues of at least $80 billion. The plans comprise the nation's largest provider of managed care services. Overall, the Blues service 75 million health care customers. More than 52 million people -- roughly one in six Americans -- are enrolled in a Blue Cross and Blue Shield managed care plan.[13]

Less of a soul mate to the Senate Republican leaders than the NFIB, the Blues are still extremely close to them due to their special role as a general fundraising powerhouse for party committees as well as for Lott and Nickles themselves. And they clearly perceived this role as benefitting their anti-regulatory interests.

To begin with, since 1995 the Blues have provided $2.5 million of the $14.2 million Republicans have received from HBC members (see Table 2 and Table 4 on p. 15). In addition, a particularly high percentage of the Blues' total campaign contributions -- about 50% -- came in the form of soft money to Republican Party committees (see Table 3). (Soft money is the unlimited contributions to political parties from corporations, unions and individuals.) Moreover, the Association's soft money donations rose 20% from the 1996 cycle to the 1998 one at a time when total soft money donations from all sources to the political parties declined 16%.[14] Senators Lott and Nickles are heavily involved in raising and benefitting from party soft money (see pp. 19-20 below).

Table 2: Blue Cross & Blue Shield Contributions (1995-1999)

Year	Republicans	Democrats	Total
1995-1996	$939,158 (65%)	$505,089 (35%)	$1,444,447
1997-1998	$1,070,714 (67%)	$528,626 (33%)	$1,599,590
1999	$472,667 (70%)	$197,721 (29%)	$670,888
Total	**$2,482,539 (67%)**	**$1,231,436 (33%)**	**$3,714,925**

Source: Center for Responsive Politics data (www.opensecrets.org) analyzed by Public Citizen.

Table 3: Blue Cross & Blue Shield Soft Money Contributions (1995-1999)

Year	Republicans	Democrats	Total
1995-1996	$438,908 (76%)	$139,635 (24%)	$578,543
1997-1998	$524,625 (76%)	$163,375 (24%)	$688,000
1999	$248,445 (74%)	$87,750 (26%)	$336,195
Total	**$1,211,978 (76%)**	**$390,760 (24%)**	**$1,602,738**

Source: Center for Responsive Politics data (www.opensecrets.org) analyzed by Public Citizen.

Soft money donations were often made at strategic times. For example, on February 27, 1998 -- a month after the formation of the HBC, two weeks after Senator Nickles had composed his health care task force, and four months after Senator Lott's appeal to managed care interests to "Get off your wallets" -- the Association gave $100,000 in soft money to the Republican Senate/House Dinner Trust, while three affiliates gave an additional $20,000 to the RNC.[15] Brenda Becker, vice president of congressional communications and PAC coordinator for the Blues, was forthright in explaining a few months later what the Association expected from its Republican recipients, "We are giving more to Republicans because they've been carrying our water on a lot of issues and they are also in the majority."[16]

Very importantly, as part of her work for the Blue Cross and Blue Shield Association, Becker has raised substantial sums for the Republican Party for years from the health care sector, as well as from other industries in which she has connections. She is one of a small select group of Washington insiders who routinely serve as co-chairs for major Republican fundraising events.[17] "I pick up the phone and call people

and make them aware of a fundraising event, and hopefully, they will attend," Becker said. "Do I call health care companies? Absolutely. But, we also have a broad group of people who we know and who we have relationships with."[18]

Again, Becker is candid about how her fundraising redounds to the political benefit of her Association. "*Basically it helps us stand out as a player and demonstrates our support of friends and people who believe in the mechanisms of the market place,"* she said (emphasis added).[19]

Becker further noted that she has co-chaired the annual GOP House-Senate dinner, the party's largest annual fundraising event "for the past four to six years." As Washington co-chair of the June 1998 dinner with Richard Creighton of the American Portland Cement Alliance, Becker's job was to corral money from health care groups, insurers and health care providers. She helped to collect over $10 million in a single evening.[20] She was also Washington co-chair, with Creighton, of the June 1999 dinner, which raised $9 million.[21]

In 1997, she served as co-chair of the Republican National Committee's Majority Fund. The fund boasts almost 100 PACs, many of which contribute $15,000 a year in hard and soft money. She took on the assignment again for the year 2000 with co-chairs Richard Creighton and former Indiana senator Dan Coats.[22]

At this year's Republican National Convention, to be held in Philadelphia on July 31 to August 3, Blue Cross and Blue Shield is expected to be on hand to assist Nickles, an avid golfer, in holding a golf tourney for GOP party contributors. "The conventions are like the Super Bowl of fundraising," said Robert A. Rusbuldt, the chief Republican lobbyist with the Independent Insurance Agents of America. "It's an opportunity for members and party committees to engage in fundraising on a massive scale."[23]

Furthermore, Becker has also provided direct fundraising assistance to Senators Lott and Nickles during this critical period for the managed care forces. In the winter of 1998, she helped organize a large golf fundraiser for Nickles' Leadership PAC at the Doral Hotel in Miami.[24] On April 21, 1998, she orchestrated a fundraiser for Lott's PAC at the Washington Hyatt Regency. The event, which was to celebrate Lott's 25th year in Congress, raised more than $1 million. While the dinner was organized by several dozen lobbyists, Becker and Dirk Van Dongen, president of the National Association of Wholesalers-Distributors, led that team.[25] In addition, on October 6, 1999, Becker co-hosted, along with Dirk Van Dongen and Michael Boland, a former Lott aide now with Boland and Madigan, a dinner party for Lott that brought in roughly $800,000 to be divided between the senator's campaign coffers and his Leadership PAC.[26]

Blue Cross and Blue Shield also forayed into fundraising for House GOP leaders, who were attempting to beat back managed care bills among their own members. In September 1998, Becker was among a select group of Washington lobbyists tapped by the National Republican Congressional Committee to help raise $37 million for various issue-advertising campaigns to aid House members and GOP challengers. On Sept. 15, 1998, NRCC Chairman John Linder (R-Ga.) and House Majority Leader Richard K. Armey (R-Texas) met with ten or so lobbyists and asked them to persuade their clients to

attend a series of nationwide fundraisers. In addition to Becker, Gary J. Andres of the Dutko Group; Nicholas E. Calio of O'Brien Calio; Bruce A. Gates of Washington Counsel; Edward W. Gillespie of Policy Impact Communications; Timothy P. McKone of Davis, Manafort & Friedman; and Daniel P. Meyer of the Duberstein Group were among those who met with Armey and Linder.[27]

On February 23, 1999, Becker was the scheduled co-host of a $2,000-a-plate dinner for House Speaker J. Dennis Hastert (R-Ill.).[28] On October 5, 1999 -- two days before the House's scheduled debate on the leading pro-consumer managed care bill sponsored by Rep. Charles Norwood and Rep. John Dingell -- Becker feted another exclusive $1,000-a-plate fundraising breakfast for House Speaker Hastert. Other hosts of the affair were CIGNA Corp. lobbyist Art Lifson, Aetna lobbyist Jonathan Topodas, Thomas Scully, president of the Federation of American Health Systems and health care superlobbyist Deborah Steelman, whose client list includes Aetna, drug companies and managed care providers.[29]

For a timeline of significant fundraising activities by Becker and the Blue Cross and Blue Shield Association see the chronology in Appendix A.

National Federation of Independent Business

Over the last several years, the NFIB has developed an extremely close working relationship with the congressional Republican leadership. A critical event was its ability to mobilize many of its more than 600,000 small business owner/members against the Clinton health care plan in 1993-94 and to help GOP leaders articulate an effective political message. "The success of the NFIB in the Clinton Health Care battle translated into clear access to the Republican leadership in both houses of Congress as well as significant input into the policy agenda of the Republican Party," concludes one scholar.[30] Thus the NFIB is a key participant in the Thursday Group, a regular meeting of pro-GOP interest groups convened by the heads of the Senate Republican Policy Committee and House Republican Conference. Not only does the NFIB put its financial muscle into Republican candidates (only 5% of funds went to Democrats in the 1996 election), it extensively mobilizes its members to support its selections and has contributed to pro-Republican election time TV and radio "issue ads."[31]

"The number one interest that rings the bell of the GOP leadership is the NFIB. The Republican Party looks at small business as being its core constituency," commented Thomas Scully, president of the Federation of American Health Systems and a former White House aide to President Bush. "If the NFIB had said, 'We don't care about this issue [of patients' rights],' the GOP leadership would have been far less aggressive in their positions."[32]

In the fall of 1997, the NFIB's connection with GOP Senate leaders began to pay off for the managed care interests that it led as chair of the Health Benefits Coalition. As previously mentioned, the principal managed care and business groups had been meeting regularly since about the beginning of the year. Significantly, they had dubbed themselves "the NFIB coalition" according to a October 22, 1997 memo from a Health Insurance Association of America (HIAA) lobbyist to her supervisor that was leaked to the press (see memo in Appendix B).[33]

According to the memo, Lott's aide, Keith Hennessey, had told the coalition that Lott was "very concerned" about "the issue of mandates, incremental reform, etc.;" thus Hennessey would be "working with House and Senate leadership to coordinate the advocacy effort." To the coalition, Lott conveyed an appeal for financial support, "Senator Lott also said that Senate Republicans need a lot of help from their friends on the outside. 'Get off your butts, get off your wallets.'" Hennessey specifically mentioned the need for "employer/insurer grassroots" lobbying. Extensive advertising campaigns ensued.[34]

Increased contributions were also forthcoming. As we shall see in more detail later (p. 15), HBC contributions to Republicans jumped from $5.3 million in the 1996 election cycle (a presidential and congressional election year when contributions run higher) to $6.8 million in the 1998 cycle (a congressional election when contributions typically decrease).

According to the HIAA memo, NFIB lobbyist Mark Isakowitz subsequently informed the group that he had been summoned to the Hill by staffers for Lott, Nickles, House Speaker Newt Gingrich (R-Ga.) and House Majority Leader Armey. Isakowitz was directed to get the NFIB coalition to brief Republican health legislative assistants, implement a "heavy" grassroots lobbying effort against the bill during Congress' winter recess, meet with groups of senators to report on what each organization was doing to fight these bills, and write "the definite piece of paper trashing all these [patient protection] bills." Isakowitz's "overall impression" was that "the Leadership was looking to signs of serious commitment on our part before they go out on a limb."[35]

This was just the beginning of the NFIB-Lott-Nickles relationship on managed care. In January 1998, the NFIB formalized its role in the coalition against managed care regulation. Its Senior Vice-President of Federal Public Policy, Dan Danner, moved into the position of chairman of the newly-created Health Benefits Coalition.

The next month, Senator Lott selected Senator Nickles to head a Senate Republican health care task force. Its mission was to study the impact of a variety of regulatory proposals involving managed care. As a former small-businessman with deep roots in Oklahoma's oil patch, Nickles' philosophy particularly resonated with that of the NFIB. At various crucial junctures during the managed care reform debate, press releases on his Senate web site show, Nickles conducted press conferences with the NFIB at his side to argue against new managed care standards.

Directing the HBC lobby, the NFIB became intimately involved with Nickles on behalf of managed care interests. Veteran NFIB heavy-hitter Isakowitz strategized frequently with Nickles and his staff during the health care debate. "He talks to Nickles staff every day," said a source close to Isakowitz. "Mark is very smart and hard-working. The Republican leadership knows him well and has a lot of trust in him."[36]

Isakowitz had played a key role in helping derail President Clinton's health care proposal in 1993. After four years at the NFIB, he left in November 1997 to become a name partner in his own lobbying firm. In 1998, he was hired as an outside consultant by the Health Benefits Coalition, which the NFIB chairs. For the HBC, Isakowitz's assignment was to continue to work on the campaign against managed care reform. Isakowitz "was very involved" in that lobbying campaign, said Dan Danner. "He served as a

communication hub."[37]

As another example of the close relationship between NFIB and Nickles' office, Nickles' legislative director Diane Moery had previously worked at the NFIB as a lobbyist in 1995. She left Nickles' office in February 2000 to work with Isakowitz in his lobbying firm.[38]

The Leaders Pressure Their Party

"What's impressive to me is that we're sticking together."

Senator Bill Frist (R-Tenn.) quoted during climactic July 1999 Senate votes on Republican patients' rights proposals[39]

Nothing indicates the influence of the increasingly generous pro-managed care donors and their special intermediaries on Senators Lott and Nickles more than Nickles' strenuous efforts -- against popular opinion -- to mobilize needed support from hesitant Republican colleagues.

A leading political scientist has written, "Party campaign efforts on behalf of individual candidates and election-agenda setting efforts encourage legislators to vote for bills that are at the core of their party's agenda when Congress is in session."[40] Congressional party leaders/fundraisers possess important levers of influence for mobilizing reluctant followers behind a donor-influenced agenda. They may invoke the "carrot" of needed campaign assistance. Or they may rely on the "stick" of their control of daily legislative business and their ability to shape the party's core agenda. Here is how the process unfolded in the Senate during the patients' rights battle.

Nickles Steers the GOP Health Care Task Force

Following his appointment by Lott in February 1998 to chair the Senate GOP health care task force, Nickles proceeded to work closely with business, HMO and insurance lobbyists to block a variety of managed care reform bills, according to lobbyists and Republican and Democratic aides. Press statements issued by Nickles' office announced that the mandate of the task force, at "the very minimum" was to "ensure that Congress, in its haste to do good, does not cause an increase in the costs of health insurance" and to "protect consumer quality by ensuring that the best possible caretakers are monitoring the quality of (Americans') health care,"[41] among other issues.

Over the next few months Nickles, along with other task force members -- including Republican Sens. John Chafee of Rhode Island, Susan Collins of Maine, Bill Frist of Tennessee, Chuck Hagel of Nebraska, Bill Roth of Delaware and Rick Santorum of Pennsylvania -- held a series of non-public meetings and conferences at which "leading health care experts" were "interviewed." The process was all part of an endeavor to "take a hard, honest look at issues of health care quality," various press releases from Nickles' office stated.[42]

But to a great extent, the task force relied heavily on information supplied by those groups opposed to most -- if not all -- measures being proposed by health care reformers, according to interviews with several sources. "There were many meetings of Senate GOP heath care task force staff at which corporate (insurance and business) types were handpicked to provide briefings," said a former Republican Senate aide

involved in the task force. "They were spoon-fed by the industry the entire time. No question about it. The task force did not spend any time with patient or consumer groups."[43]

While the American Medical Association made one presentation to the task force, its requests for additional participation were refused. Said Jim Smith, a Washington lobbyist with the AMA, "It's safe to say task force members were pretty one-sided about who they consulted with. We petitioned Sen. Nickles again and again and again to meet with us to share our concerns about crafting a patients' bill of rights. They (Nickles' staff) just never found a way to put the two of us together despite our many requests to do so."[44]

By contrast, Dan Danner, head of the Health Benefits Coalition, said his group, in addition to efforts by individual members, provided numerous briefings, fact sheets, surveys and studies to the GOP health care task force.[45] Over the next several months, Nickles emerged from his work on the task force from time to time to hold press conferences with representatives of the NFIB, the U.S. Chamber of Commerce and the Small Business Survival Committee to warn of the ill-effects that managed care reform would have on the ability of employers to provide health insurance.

On July 15, 1998, Nickles and other members of the Senate Republican health care task force unveiled their own bill. This was essentially the relatively weak patients' rights bill that the Senate would pass a year later with "tacit support from the business community and insurers."[46] Although the HBC said it was "deeply disappointed" that the proposal "included government mandates which will only increase health care costs," it consoled itself that "it avoids the many excesses of Kennedy-Dingell [the Democratic alternative], which could create a monstrous new bureaucracy in Washington and a new pot of gold for trial lawyers. Our coalition will vigorously oppose any efforts to expand liability to health plans and employers."[47]

Nickles' current senior policy advisor, Stacy Hughes – the senator's point person on patients' rights – did not return phone calls to comment on the activities of the task force, as well as to answer additional questions about Nickles' positions on managed care reform.

Shutting Down Senator Jim Jeffords

In late 1997, Senator Jim Jeffords (R-Vt.), chair of the Senate Health, Education, Labor and Pensions (HELP) Committee, set to work on a bill that would impose federal standards on managed care plans. From August to September 1997, according to a Senate aide, Jeffords teamed with Senator Edward Kennedy, the ranking Democratic minority member of the HELP committee, to put together a bipartisan bill. In October, Jeffords unveiled a draft of the "Quality Bill," which would require health plans to open up access to specialty care by providing out-of-network referrals at no additional cost; not discriminate based on a person's health status; apply the "prudent layperson" standard in covering emergency room care; set up an external quality assurance program; ban gag clauses on doctors, freeing them up to discuss treatment options with their patients; and allow women direct access to OB/GYNs.[48]

As a House member from 1975 to 1988, Jeffords had been well known as an independent voice. He has maintained this reputation in the Senate with a moderate stance on such matters as the environment, education, civil rights and gay and lesbian issues. He was the only Republican to cosponsor the Clinton

administration's sweeping health care initiative in 1993. During the course of his 1997 work on the draft of the "Quality Bill," Jeffords stressed that "managed care regulation will be an unavoidable and necessary issue for Congress to address during the next legislative session."[49]

But as Jeffords' seniority has increased in the Senate, particularly with his 1997 move into the chair of the HELP committee, the "Republican leadership has tried to keep him on a tight leash," said a former aide to the senator. "There has been more pressure on him to conform."[50]

"A day came when Jeffords said publicly that we would have a (bipartisan managed care) bill introduced and out of committee by October 1997. The leadership came down on him like a ton of bricks," said a well-informed Democratic Senate aide.[51] "As soon as he conveyed the seriousness of his intents, the leadership shut the process down. Literally, things came to a halt. This was the pivotal point at which it became clear that Senator Jeffords was in hock to the leadership." According to this aide, Jeffords' staffers were so intimidated by the leadership's mandate to shut down bipartisan negotiations, they stopped virtually all discussions with Kennedy's staff.

In the opinion of a former Republican Senate aide deeply involved in health issues, Jeffords was compelled to participate in the GOP leadership's health care agenda because "he's boxed in by conservatives on his committee."[52]

Both staffers' perspectives receive support from the leaked October 1997 internal HIAA memo which highlighted Senator Lott's role. In her summary of the "NFIB coalition" meeting with an aide to Lott, the HIAA staffer wrote: "Lott told Senator Jeffords that he could not introduce his 'Quality Bill' this session and was advised to work less with Sen. Kennedy and more with his fellow Republicans on the Senate Labor Committee. Sen. Lott has also spoken with all Republicans on the Senate Labor Committee and told them to get involved and express their concerns [to Jeffords]."[53]

On March 18, 1999, by a party-line vote of 10 to 8, the Senate HELP committee approved the bill written by the GOP health care task force and sent it to the Senate floor. During the 13-hour markup of the GOP version, all 18 amendments offered by committee Democrats were defeated by party line votes. At various points throughout the process, Lott and Nickles and their staffs undertook the unusual action of standing in the back of the room to enforce the party vote, several sources said.[54] "The leadership staff, primarily Nickles people, also staffed other GOP members by answering their questions, talking to the press, etc.," various sources at the markup said. "During markup, Stacy Hughes (Nickles' senior policy advisor), held court."[55]

Ostracizing Senator John Chafee

The most visceral enmity within GOP leadership ranks was targeted at Sen. John Chafee, a moderate from Rhode Island. In 1994, Chafee led a bipartisan "mainstream coalition" which attempted to pass incremental health reform measures after the demise of Clinton's plan to achieve comprehensive overhaul of the industry. Again, in November 1997, Chafee formed a bipartisan Congressional Task Force on Health Care Quality with Sen. Joseph Lieberman (D-Conn.) and Reps. Nancy Johnson (R-Conn.) and

Benjamin Cardin (D-Md.). Its mandate was to study the various proposed requirements on managed care plans.

Chafee said he informed Senate Majority Leader Lott that he was organizing the task force. "I don't find myself in conflict with the leaders. I don't think anyone objects to our trying to educate ourselves."[56] But, that move and others to come resulted in Chafee's ostracism by senior party ranks, leading to intensely bitter relations that prevailed throughout the patients' rights debate and up until the time Senator Chafee died in October 1999.

Chafee was marked by the GOP leadership to be "suspect from the get go," declared a former aide to the senator. When Nickles appointed Chafee to his newly-formed GOP health care task force in February 1998, it was an attempt to co-opt him, according to the aide. "I'm not sure how anxious they (GOP leadership) were to have his participation." [57] After all, Chafee had already committed himself to a bipartisan approach through the congressional task force.

In July 1998, right after the Nickles task force brought forth a Republican bill, Chafee and Sen. Bob Graham (D-Fla.) introduced a bill intended to be a compromise between the Democratic and Republican Senate proposals. The Chafee-Graham plan -- the "Promoting Responsible Managed Care Act" -- included many of the key benefit protections in Democratic plans and would have allowed patients to sue insurers and HMOs for economic damages, but not for pain and suffering or punitive damages.

As GOP leaders began to move their bill towards the Senate floor in the spring of 1999, Chafee's health care legislative assistant Lisa Layman attended a patient rights' briefing session called by Chris Jennings, special assistant to the White House on health policy. Also, on hand were various Democratic staff assistants and representatives of the AMA. Layman was the only Republican representative at the meeting. "Chafee and his staff paid a price for it," said a Rhode Island managed care reform lobbyist who knew Chafee well and attended the meeting. "Nickles' staff became very demeaning" to the senator and his legislative aides.[58]

Subsequently, another former aide related, Chafee and his staff faced continued alienation from GOP leaders. At meetings, conferences and floor debates, they received constant off-the-cuff remarks from other members and staff for not being "team players" supporting the leadership's agenda. When the Senate Republican Policy Committee conducted various briefings on the patients' bill of rights, Chafee was intentionally excluded from the sessions.[59]

"When Senator Chafee had a difference of opinion with his colleagues, he embraced them still and tried his best not to alienate them. I felt [GOP leadership and their supporters] were constantly demeaning his position. And I think it was uncomfortable for him," this aide added.[60]

Chafee himself shared these feelings with the aforementioned Rhode Island lobbyist. This was the first time ever in the lobbyist's history of dealings with the Senator on a myriad of issues that he had been made privy to such inside admissions. "The Senator, in a passing reference, verbally expressed his disgust to me. He was grossly offended by the treatment of the Senate GOP leadership given his 20 years of tenure

in the Senate."[61]

Added a former Chafee staffer: "No one can appreciate the extent to which pressure can be brought on by peers. It's a lonely, isolating feeling; a very alienating experience."[62] The lesson was presumably not lost on other Republicans weighing their patients' rights positions.

Corralling Senators John McCain and Peter Fitzgerald

As the Senate floor debate drew to a close with a prospective narrow victory for the Republican bill, Senators Chafee and Graham tried to broker a last-minute bipartisan compromise. They offered a version of their previous bill allowing patients to sue managed care plans for non-economic and punitive damages, but capping those damages at three times the economic damages or $250,000, whichever was greater. With half a dozen Democrats on board, Chafee sought to gather Republican support for the plan and obtained Sen. Arlen Specter's (R-Penn.) cosponsorship. On July 15, 1999, a press release at the Chafee-Graham news conference stated that Sens. John McCain (R-Ariz.) and Peter Fitzgerald (R-Ill.) also would appear to back the compromise.[63]

However, McCain and Fitzgerald were not at the news conference. "The night before the press conference to unveil the agreement, McCain and Fitzgerald were pulled back by Republican leadership and were told 'Don't go to that thing. It wouldn't be good for you,'" said a former Republican Senate aide.[64]

Those two Republican senators' support of the potential bipartisan compromise could have helped to "generate momentum for real change," Mike Dorning, a Washington bureau reporter for the Chicago Tribune, wrote on July 18, 1999. "[Chafee and Graham] thought they had fellow GOP Sens. Fitzgerald and John McCain of Arizona on board. Senate Whip Don Nickles acknowledges Fitzgerald and McCain were talked to when it looked like they would join the compromise. And when asked about those discussions, Nickles gave only a cryptic smile."[65]

Fitzgerald claimed he ultimately decided not to join in the compromise because it failed to include two health care tax breaks he favors: the expansion of the tax-free medical savings account pilot program and immediate full deductibility for health insurance premiums paid by self-employed people.[66]

"More than that the public may never know," Dorning wrote.

The Chafee-Graham proposal went on to fail when the senators were unable to secure the 51 votes needed to force a vote on the measure.

On July 18th, by a vote of 53 to 47, Republicans passed their own less consumer friendly version of the patients' bill of rights (S. 1344). Sens. Chafee and Fitzgerald were the only Republicans to break ranks to oppose the measure. In explaining his vote, Fitzgerald cited his agreement with the Democratic push to repeal the federal law that gives immunity from lawsuits to managed care organizations. That position, Fitzgerald explained, was consistent with his belief in laissez-faire principles. "HMOs' care could be improved if HMOs were not shielded from the consequences of any negligent behavior. A more free-

market way to address this would be to have a downside for any rogue behavior," Fitzgerald said after the vote.[67]

However, the Chicago Tribune's Dorning wrote that Fitzgerald's willingness to break with party leaders "leaves unclear how much courage he puts behind those convictions" given he did not support the earlier Chafee-Graham proposal "that might have really unsettled the strategy of the GOP."[68]

Just before the final vote, Senator Frist remarked, "What's impressive to me is that we're sticking together."[69]

Contributions from Managed Care Interests

"We are giving more to Republicans because they've been carrying our water on a lot of issues and they are also in the majority."

Brenda Becker, Vice President of Congressional Communications and PAC Director, Blue Cross and Blue Shield Association[70]

The Contributions

Why have Senators Lott and Nickles worked so closely and continuously with the HBC and its key NFIB and Blue Cross and Blue Shield Association operatives in behalf of its pro-managed care legislative agenda? Why have they been so active in pressuring their reluctant Republican colleagues to toe the party line? A close look at the political contributions of pro-managed care interests and the roles of Senators Lott and Nickles in collecting them provide major ingredients of a likely explanation.

As congressional debate over patients' rights heated up beginning in 1997, the members of the HBC rapidly increased their campaign contributions. Table 4 shows that total HBC contributions from 1995-99 amounted to $18 million. Contributions rose from $7.1 million in the 1996 two-year election cycle (a presidential election cycle when total contributions are generally higher) to $8.3 million in the 1998 cycle (an off-year election cycle when contributions generally decrease), an increase of 18%. Significantly, all of the new money moved into the Republican column as contributions to Democrats actually decreased by nearly $200,000 between the two election cycles. Another $2.7 million for the 1999-2000 cycle had been collected by the end of 1999, with the bulk expected in 2000. While the GOP harvested 75% of contributions ($5.3 million) in the 1996 cycle, it got 81% ($6.8 million) in the 1998 cycle, and 79% ($2.1 million) in 1999.

Table 4: Health Benefits Coalition Contributions (1995-1999)

Year	Republicans	Democrats	Total
1995-1996	$5,337,508 (75%)	$1,755,268 (25%)	$7,092,776
1997-1998	$6,778,170 (81%)	$1,562,346 (19%)	$8,340,516
1999	$2,103,844 (79%)	$545,048 (21%)	$2,648,892
Total	$14,219,522 (79%)	$3,862,662 (21%)	$18,082,184

Source: Center for Responsive Politics data (www.opensecrets.org) analyzed by Public Citizen.

Especially important was the rising tide of HBC soft money given to the Republican Party. Table 5 shows that total soft money contributions from 1995 to 1999 amounted to $6.7 million. They rose from $2.5 million in the 1996 cycle to $3.1 million in the 1998 cycle, a jump of 25%. This was remarkable considering that overall soft money to political parties decreased 16% between the presidential/congressional

elections of 1996 and the purely congressional year of 1998.[71] In 1999 the HBC injected another $1.1 million in soft money. Significantly, the Republican Party's share of HBC soft money rose from 70% ($1.8 million) in the 1996 cycle to 84% ($2.6 million) in the 1998 cycle, before dipping slightly to 82% ($876,000) in 1999. Party soft money comprised 39% of HBC contributions to Republicans in the 1998 cycle and 42% in 1999 compared with only 33% in the 1996 cycle.

Table 5: Health Benefits Coalition Soft Money Contributions (1995-1999)

Year	Republicans	Democrats	Total
1995-1996	$1,764,665 (70%)	$739,450 (30%)	$2,504,115
1997-1998	$2,630,671 (84%)	$494,649 (16%)	$3,125,320
1999	$876,724 (82%)	$198,250 (18%)	$1,074,974
Total	$5,272,060 (79%)	$1,432,349 (21%)	$6,704,409

Source: Center for Responsive Politics data (www.opensecrets.org) analyzed by Public Citizen.

Moreover, as the legislative battle picked up, the Republican Party's congressional fundraising committees, as opposed to the Republican National Committee (RNC), reaped an increasing share of the rising HBC soft money. As Table 6 shows, the National Republican Senatorial Committee (NRSC), the Republican House-Senate Dinner Committee, and the National Republican Congressional Committee's (NRCC) combined share of soft money rose from 45% in the 1996 cycle to 61% in the 1998 one and 56% in 1999.

Table 6: HBC Contributions to National Republican Party Committees (1995-1999)

Year	NRSC	Republican H/S Dinner Committee	NRCC	RNC	Total
1995-1996	$138,600 (8%)	$311,000 (18%)	$342,115 (19%)	$972,950 (55%)	$1,764,665
1997-1998	$358,415 (14%)	$594,000 (23%)	$646,404 (25%)	$1,031,852 (39%)	$2,630,671
1999	$128,330 (15%)	$137,000 (16%)	$221,399 (25%)	$389,995 (44%)	$876,724
Total	$625,345 (12%)	$1,042,000 (20%)	$1,209,918 (23%)	$2,394,797 (45%)	$5,272,060

Source: Center for Responsive Politics data (www.opensecrets.org) analyzed by Public Citizen.

Lastly, while the HBC's contributions represent the financial weight of the best organized and most pro-active managed care interests in American politics, other actors should not be neglected. Tables 7 and 8 present comparative information on the much smaller contributions of non-HBC managed care companies.

Table 7: Non-HBC Managed Care Contributions (1995-1999)

Year	Republicans	Democrats	Total
1995-1996	$628,603 (44%)	$802,209 (56%)	$1,430,812
1997-1998	$707,527 (65%)	$383,805 (35%)	$1,091,332

1999	$227,719 (74%)	$78,005 (26%)	$305,724
Total	$1,563,849 (55%)	$1,264,019 (45%)	$2,827,868

Source: Center for Responsive Politics data (www.opensecrets.org) analyzed by Public Citizen.

Table 8: Non-HBC Managed Care Soft Money Contributions (1995-1999)

Year	Republicans	Democrats	Total
1995-1996	$193,301 (39%)	$306,400 (61%)	$499,701
1997-1998	$349,850 (86%)	$57,750 (14%)	$407,600
1999	$126,050 (82%)	$27,000 (18%)	$153,050
Total	$669,201 (63%)	$391,150 (37%)	$1,060,351

Source: Center for Responsive Politics data (www.opensecrets.org) analyzed by Public Citizen.

In addition, an unknown number of members of The Business Roundtable and other employer associations who were not individually represented in the HBC have lobbied on patients' bill of rights legislation, among other issues. A selective look at federal lobby disclosure forms of just the top 20 1997-98 campaign contributors from the 175-member Business Roundtable[72] shows that 11 of them lobbied on patients' rights issues in 1998. From 1997-99, these 11 companies contributed $20.4 million overall, of which $14.1 million went to Republicans including $4.9 million in soft money.

Top Collectors: Senators Lott and Nickles

> *"Senator Lott also said that Senate Republicans need a lot of help from their friends on the outside. 'Get off your butts, get off your wallets.'"*
>
> Health Insurance Association of America Memo[73]

As the top Senate Republican leaders since June 1996, Senators Lott and Nickles have been deeply involved in -- and benefitted from -- Republican Party fundraising from pro-managed care interests. Both were already members of the leadership at the beginning of the 1996 election cycle, Lott as Assistant Majority Leader and Nickles as Director of the Republican Policy Committee.

Lott and Nickles have been leading soft money fundraisers for the NRSC and the Republican House-Senate Dinner Committee, which directly aim to swell the number of Republicans under their leadership. As Table 6 shows, since 1995 HBC companies have contributed a total of $1.1 million in soft money to benefit Senate candidates: $625,345 directly to the NRSC and $521,000 to the Republican House-Senate Dinner Committee (50% of the $1 million in Dinner proceeds went to the NRSC).

Furthermore, as top elected Republican leaders, the two senators are active in other Republican Party committee fundraising, which has brought an additional $4.1 million since 1995 to the RNC, NRCC and House component of the Dinner Committee. They participate in such RNC donor programs as Team 100 and the Republican Eagles, featuring meetings with party leaders, and conduct joint fundraising with the

NRCC and Dinner Committee.[74]

Senators Lott and Nickles, and their Senate Republican colleagues, benefit significantly from HBC soft money directed to the RNC and NRCC as well as the NRSC. For example, in 1996 direct and coordinated contributions from the RNC accounted for 12% of all large donations to Senate Republican incumbents. All three committees furnish a wide range of indirect assistance to Senate candidates, from televised generic party "issue ads" to discounted polling to voter registration and mobilization.[75]

Appendix C portrays the pressure of HBC contributions on Senator Lott's and Senator Nickles' political behavior by presenting a timeline of major HBC soft money contributions to Republicans and key congressional developments on patients' rights legislation.

Lastly, the two top Senate leaders have also benefitted from HBC hard money donated directly to their personal campaign committees and "Leadership PACs." As Table 9 shows, Sen. Lott has received $134,000 since 1995 for his campaign and Leadership PAC while Sen. Nickles took in $118,959 in contributions to his campaign and Leadership PAC.

Table 9: HBC Contributions to Senators Lott and Nickles (including Leadership PACs) (1995-1999)

Year	Total	Sen. Lott	Sen. Nickles
1995-1996	$39,545	$15,500	$24,045
1997-1998	$140,914	$70,500	$70,414
1999	$72,500	$48,000	$24,500
Total	$252,959	$134,000	$118,959

Source: Center for Responsive Politics data (www.opensecrets.org) analyzed by Public Citizen.

Conclusion

What campaign contributions -- particularly soft money -- appear to have wrought on the burning issue of patients' rights to decent health care highlights the political imperative of campaign finance reform. Without such reform, the needs of the average American are often ignored by their elected leaders -- Democrats as well as Republicans. Enactment of the McCain-Feingold bill, which centers on a ban on soft money to political parties, would constitute a major step forward. The bill has majority support in both the House and Senate including a quarter of House Republicans and nearly a fifth of Senate Republicans. Yet it has been blocked since 1997 by a filibuster led by Senator Lott and Senator Mitch McConnell (R-Ky.), who currently chairs the NRSC.

During this year's presidential primaries, more Americans than ever before, from both parties, used their votes to express support for campaign finance reform. Their voices need to be heard even more loudly during the remainder of this election year.

Notes

(***Methodological Note:*** A portion of this report is based on interviews conducted by investigative reporter Loren Berger. In some cases, sources are attributed; in others the sources have insisted upon anonymity. In all instances, the general nature of the source is indicated.)

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2. Quoted in Jeffrey H. Birnbaum, "Capitol Clout: A Buyer's Guide," Fortune, October 26, 1998, p. 177.

3. Kaiser Family Foundation, Trends and Indicators in the Changing Health Care Marketplace: Chartbook, August 1998, p.18.

4. "Kaiser Public Opinion Update February 2000," available at www.kff.org./library. On broad support across political parties for consumer protection legislation, see for example, Kaiser Family Foundation, Press Release, "New Survey Finds the Public More Worried About Managed Care and More Supportive of Patient Protection Legislation, but Criticisms Still Register," September 17, 1998, available from above website.

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8. Peter H. Stone, "Playing Second Fiddle," National Journal, July 11, 1998, p. 1614.

9. Public Citizen analysis of data from the Center for Responsive Politics available from www.opensecrets.org.

10. See for example, Ben White, "Business Ad an Early Gift for GOP Senators," The Washington Post, December 8, 1999, p. A6; Alison Mitchell, "Senate Takes Up Patients' Rights," New York Times, July 13, 1999, pp. A1, A14; and Karen Foerstel, "Health Care Forces Fight to Frame the Debate," Congressional Quarterly, April 3, 1999, pp. 799-801.

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13. “Blue Cross and Blue Shield System Fact Sheet”

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15. Public Citizen compilation and analysis of data from the Center for Responsive Politics.

16. Quoted in Alissa J. Rubin, “Health Care Firms Boost Political Giving,” Los Angeles Times, October 30, 1998, p. 13.

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20. Ibid.; Jill Abramson, “Well-Fed Loath to Upset A Capitol Money Trough,” New York Times, June 15, 1998, p. A-1.

21. Susan B. Glasser and Ben White, “Feeding the Political Money Machine,” Washington Post, June 26, 1999, p. A-1; Interview, Spokesman Republican House-Senate Dinner Committee, March 28, 2000.

22. Telephone Interview, Brenda Becker, March 15, 2000.

23. Peter H. Stone, “And Don’t Forget Your Golf Clubs,” National Journal, December 4, 1999, p. 3486.

24. Peter H. Stone, “Playing Second Fiddle,” National Journal, July 11, 1998, p. 1615.

25. Robert Dreyfuss, “Mississippi Waltz; Trent Lott, Money Conservative.” American Prospect, March-April 1999, p. 32.

26. Peter H. Stone, “Counting on K Street, The National Journal, October 16, 1999, p. 2988.

27. Marilyn Werber Serafini, Peter H. Stone, W. John Moore, “From the K Street Corridor,” National Journal, September 26, 1998, p. 2266.

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33. "Government Run Healthcare," from Melody Harned to Michael Fortier, October 22, 1997, internal memo published in "Memo of the Month," Washington Monthly, December 1997.

34. See n. 10.

35. See n. 33.

36. Telephone interview (name withheld), March 17, 2000.

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43. Telephone interview, (name withheld), February 25, 2000.

44. Telephone interview, Jim Smith (AMA), March 2, 2000.

45. Telephone interview, Dan Danner (Health Benefits Coalition), March 3, 2000.

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50. Telephone interview (name withheld), February 1, 2000.

51. Interview (name withheld), Washington, D.C., February 4, 2000.

52. Telephone interview (name withheld), February 25, 2000.

53. See n. 33.

54. Interviews (names withheld), Washington, D.C., January 28, 2000, February 3 and 4, 2000.

55. Interviews (names withheld), Washington, D.C., January 28 and February 4, 2000.

56. Robinson, "Panel to Study Quality of Care."

57. Telephone interview (name withheld), February 25, 2000.

58. Telephone interview (name withheld), January 27, 2000.

59. Telephone interview (name withheld), March 15, 2000.

60. Ibid.

61. Telephone interview (name withheld), January 27, 2000.

62. Telephone interview (name withheld), February 25, 2000.

63. Matthew Morrissey, National Journal's Congress Daily, July 15, 1999.

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65. Mike Dorning, "Fitzgerald Only a Little Rebellious on HMOs," Chicago Tribune, July 18, 1999.

66. Ibid.

67. Ibid.

68. Ibid.

69. See n. 39.

70. See n. 16.

71. See n. 14.

72. On the top 20 contributors, see Public Disclosure Inc., "Hard and Soft Money -- the Business Roundtable," available at www.tray.com. Public Citizen reviewed 1998 lobby disclosure forms filed at the Secretary of the Senate to determine which companies lobbied on the bills.

73. See n. 33.

74. U.S. Senate, Committee on Governmental Affairs, Final Report of the Investigation of Illegal and Improper Activities in Connection with 1996 Federal Elections: Minority Views (1999), Chapter 28, pp. 1-9; Jeffrey H. Birnbaum, "Capitol Clout: A Buyer's Guide," Fortune, October 26, 1998, pp. 178-79; Tim Poor, "Golf Tournament Nets $62,000 in Contributions for Bond's Senate Race." St. Louis Post-Dispatch, July 24, 1998, p.11; Letter from Senators Mitch McConnell and Jon Kyl to members of the Republican Council of the National Senatorial Committee, September 23, 1997.

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Appendix A: Key Fundraising Activities of the Blue Cross and Blue Shield Association (1997-2000)

The Blue Cross and Blue Shield Association is the trade group for independent Blue Cross and Blue Shield member plans with combined annual revenues of at least $80 billion. The plans comprise the nation's largest provider of managed care services. Overall, the Blues service 75 million health care customers. More than 52 million people -- roughly one in six Americans -- are enrolled in a Blue Cross and Blue Shield managed care plan.

Since 1995 the Blues have provided $2.5 million of the $14.2 million Republicans have received from Health Benefits Coalition members. In addition, a particularly high percentage of the Blues' total campaign contributions -- about 50% -- came in the form of soft money to the party. (Soft money is the unlimited contributions to political parties from corporations, unions and individuals.) Moreover, their soft money donations rose 20% from the 1996 cycle to the 1998 one at a time when total soft money donations from all sources to the political parties declined 16%.

Senators Lott and Nickles are heavily involved in raising and benefitting from party soft money given by the Blue Cross and Blue Shield Association. Their personal campaigns and leadership PACs also get major assistance from Brenda Becker, vice president of congressional communications and PAC coordinator, for the Association. Below is a list of significant fundraising activities conducted in recent years by Becker to benefit Republican congressional leaders who have done their best to block a pro-consumer patients' bill of rights:

1997	Becker served as co-chair of the Republican National Committee's Majority Fund (comprised of almost 100 PACs many of which contribute $15,000 annually).
1998 (winter)	Becker helped organize a large golf fundraiser for Senate Assistant Majority Leader Nickles' Leadership PAC at the Doral Hotel in Miami.
April 21, 1998	Becker orchestrated a fundraiser for Senate Majority Leader Lott's Leadership PAC at the Washington Hyatt Regency to celebrate Lott's 25th year in Congress. The event raised more than $1 million.
June 1998	Becker served as Washington co-chair of the GOP House-Senate dinner, the party's biggest fundraiser of the year, at which she helped to raise $11 million in a single evening.
September 15, 1998	Becker was among a select group of Washington lobbyists tapped by the National Republican Congressional Committee to help raise $37 million for various issue-advertising campaigns to aid House members and GOP

	challengers in the fall elections.
February 23, 1999	Becker co-hosted a $2,000-a-plate dinner for House Speaker J. Dennis Hastert (R-Ill.).
June 1999	Becker was Washington co-chair of the GOP House-Senate dinner fundraiser, which collects $9 million from benefactors.
October 5, 1999	Becker co-hosted an exclusive $1,000-a-plate fundraising breakfast for House Speaker J. Dennis Hastert (R-Ill.).
October 6, 1999	Becker co-hosted a dinner party for Lott raising roughly $800,000 to be divided between the senator's campaign coffers and his Leadership PAC.
2000	Becker serving as one of three co-chairs for the Republican National Committee's Majority Fund.
June 2000	Becker serving as Washington co-chair of the GOP House-Senate dinner.
July 31-August 3, 2000	Blue Cross and Blue Shield Association expected to assist Senator Nickles in hosting golf tournament for GOP party contributors at Republican National Convention.

Appendix B:
Health Insurance Association of America

MEMO

DATE: October 22, 1997

TO: Michael Fortier

FROM: Melody Harned

SUBJECT: Government Run Healthcare

The message we are getting from House and Senate Leadership is that we are in a war and need to start fighting like we're in a war.

Republican Leadership is now engaged on this issue and is issuing strong directives to all players in the insurance and employer community to get activated. Earlier this week, I met with Keith Hennessey (Sen. Lott) along with the NFIB coalition. Hennessey will be working with House and Senate leadership to coordinate the advocacy effort. Senator Lott is well aware of the issue of mandates, incremental health care reform, etc., and is very concerned. Lott told Senator Jeffords that he could not introduce his "Quality Bill" this session and was advised to work less with Sen. Kennedy and more with his fellow Republicans on the Senate Labor Committee. Sen. Lott has also spoken with all Republicans on the Senate Labor Committee and told them to get involved and express their concerns. Sen. Lott also said that Senate Republicans need a lot of help from their friends on the outside, "Get off your butts, get off your wallets." Keith Hennessey believes that it is critical that employer/insurer grassroots occur during recess (Nov & Dec) so that Members are prepared when they come back to town in January.

At the NFIB Coalition meeting today, Mark Isokowitz (NFIB) informed the group that he had been summoned to the Hill by Missy Jenkins (Rep. Gingrich), Dean Clancy (Rep. Armey), Stacey Hughes (Sen. Nickles) and Keith Hennessey (Sen. Lott). Staff gave him four directives to take back to the coalition: 1.) Hold a briefing for Republican health LAs in 2 weeks; 2.) Implement heavy grassroots during recess; 3.) Meet with groups of Senators (e.g., Sen. Coverdell health care coalition) to report on what each organization is doing to fight these bills; and 4.) Write the definitive piece of paper trashing all these bills. Mark Isokowitz's overall impression from the meeting was that the Leadership was looking for signs of serious commitment on our part before they go out on a limb.

(Note: This memo is a reproduction of the actual HIAA memo for purposes of electronic communication.)

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Appendix C:
Congressional Action on Patients' Rights Legislation, and Noteworthy Managed Care Industry Soft Money Contributions to Republican Party Committees (February 1997 - January 2000)

February 13, 1997 Sen. Ted Kennedy (D-Mass.) and Rep. John Dingell (D-Mich.) introduce first major patients' rights bills.	C 2/7/97 $40,000 CIGNA to RNC C 3/31/97 $25,000 CIGNA to RNC
April 23, 1997 Rep. Charles Norwood (R-Ga.) introduces "Patient Access to Quality Care Act" (PARCA), H.R. 2400, which includes the right to sue HMOs in state court. It ultimately garners 234 co-sponsors.	C 5/23/97 $50,000 New York Life Insurance to Republican House-Senate Dinner Committee C 6/16/97 $45,000 Prudential Insurance to Republican House-Senate Dinner Committee
October 22, 1997 Health Insurance Association of America memo describes collaboration of managed care interests with Sen. Lott.	C 10/17/97 $35,000 American Insurance Association to RNC C 11/10/97 $25,000 United HealthCare Corporation to NRSC
January 1998 Health Benefits Coalition founded, composed of HMOs, insurance and business groups opposed to strong patients' bill of rights legislation.	C 1/6/98 $25,000 Prudential Insurance to NRCC
February 12, 1998 Sen. Lott's designee as Chairman, Sen. Nickles, announces formation of Republican health care task force.	C 2/27/98 $100,000 Blue Cross & Blue Shield to Republican House-Senate Dinner Committee; plus $20,000 from three BCBS affiliates to RNC C 3/26/98 $75,000 Insurance Company of North American (CIGNA) to RNC

	C 3/31/98 $25,000 CIGNA to RNC C 5/7/98 $20,000 New York Life Insurance Co. to NRSC C 5/14/98 $25,000 New York Life Insurance to RNC
July 1998 49 Senate Republicans sponsor their own "Patients' Bill of Rights Act", S. 2330. **July 24, 1998** House passes the Republican-sponsored "Patient Protection Act", H.R. 4250, by a vote of 216-210.	
	C 8/31/98 $25,000 United HealthCare Corp. to NRSC
October 9, 1998 Senate votes 50-47 (including 50 of 55 Republicans) not to bring up the House-passed patients' rights bill for debate and votes.	C 10/20-11/3/98 $125,000 United HealthCare Corp. to RNC C 10/22/98 $50,000 Humana Hospitals Inc. (Through Founder and CEO, David Jones) to NRSC C 10/30/98 $50,000 CIGNA to NRSC C 12/15/98 $25,000 Aetna to NRSC
	C 2/10/99 $40,000 American Insurance Association to RNC
March 18, 1999 Senate Health, Education, Labor and Pensions Committee passes GOP patients' rights bill by a vote of 10-8 (10 of 10 Republicans).	C 3/22-6/4/99 $68,000 Blue Cross & Blue Shield to Republican House-Senate Dinner Committee (including multiple BCBS state association donations) C 3/23/99 $30,000 Blue Cross & Blue

	C 3/29/99 $40,000 Blue Cross & Blue Shield to NRCC C 5/5/99 $25,000 Aetna to RNC C 5/6/99 $25,000 Prudential Insurance to NRCC C 5/28/99 $25,250 Prudential Insurance Co. of America to NRSC
July 15, 1999 Senate votes 53-47 (53 of 55 Republicans) for amended GOP "Patients' Bill of Rights Plus Act," S. 1344, that denies patients the right to sue their HMO in state court.	
October 7, 1999 House of Representatives passes "Bipartisan Consensus Patients' Rights Bill," H.R. 2723, by a vote of 275-151.	C 10/5/99 $25,000 Food Distributors International to NRSC
October 15, 1999 Senate members of Conference Committee on patients' rights are appointed.	C 10/13/99 $25,000 Blue Cross & Blue Shield to NRSC C 10/26/99 $25,000 United HealthCare Corp. to RNC
November 3, 1999 House members of Conference Committee on patients' rights legislation are appointed.	C 11/2/99 $25,000 United HealthCare Corp. to NRSC C 11/5/99 $25,000 to NRCC C 11/17/99 $50,000 CIGNA to NRSC C 12/16/99 $20,000 Aetna to RNC C 12/17/99 $25,000 Aetna to RNC C 12/17/99 $100,000 Aetna to NRSC