

**STATEMENT OF SIDNEY M. WOLFE, M.D.  
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ON CLINTON HEALTH CARE PROPOSAL  
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The Clinton health care proposal which has been made public in the last week is a cruel fraud for the American people who, ultimately, through grass-roots groups such as those speaking here today, will reject the plan and instead opt for a simpler, more affordable and more humane single payer system.

Based on information in the Clinton proposal and from the White House, the Clinton health plan can only be describe as a fraud on the American public. Although heralded as universal coverage everyone will not be covered until January 1998 if at all. The financing to accomplish this can only be described as magic.

The main elements of fraud in the plan are its promises of universal coverage, cost control, administrative simplification and, the magic whereby the other goals get accomplished, highly and successfully competitive HMO's for almost everyone.

**Universal Coverage and Cost Control**

The ability to raise enough money to cover the approximately 37 million uninsured Americans and to improve coverage for the approximately 60 million more underinsured depends on politically unfeasible Medicare and Medicaid savings of \$239 billion between 1996 and 2000 and a literally unbelievable sudden drop in the rate of increase in health spending. According to one chart in the proposal, the percent annual increase in the amount spent on health care will drop from 1996 (11.2% increase to a percent GDP of 17%) to 1997 (a much lower 6.2% increase to a percent GDP of only 17.2%). In other words, as if by magic, in one year this growth figure is reduced to little more than half of the previous year. If you believe in the tooth fairy, you will believe in this.

**Administrative Simplification**

Although mouthing the rhetoric of administrative simplification, in view of the estimate \$117 billion wasted annually by not having a single payer system, the facts of significant savings are otherwise for several reasons.

\* Those now on Medicaid, with its relatively low administrative costs, will be switched to the much more expensive administrative costs of the private system.

\* Given the retention of multiple insurers, multiple benefit levels for those not wanting the limits of the bare-bones HMO coverage and multiple prices because of price competition between plans there will still be a bewildering and administratively complex and costly matrix of different patients.

\* Administration sources estimate a multi-billion cost to setting up the new layer of administrative function, the health alliances.

### HMO'S For Almost Everyone

Despite the recent Johns Hopkins study that people in HMO's are not as satisfied with their care and the increasing penetration of the HMO market by for-profit HMO,s the Clinton plan relies heavily on this method of health care delivery. A recent study by Marion Merrell Dow (Sept. 1993) found that 21 of the 25 fastest-growing HMO's were for-profit and that the big eight (Blue Cross, Cigna, Aetna, Travelers, MetLife, Prudential, Humana and United Health Care owned 251 of the 562 or 45% of the HMO's in the country. Another study from Interstudy in Minneapolis, last month, found that the number one reason why 86.1% of HMO's reported profitability in 1992 (vs 36% in 1989) was because of premium increases, listed by 82.4 % of HMO's as the reason. Given that more and more HMO's are for profit and must keep the profits up to stay in business and that the Clinton administration banks on holding the line on premium increases, this presents, to say the least, a major contradiction.

A recent article in the Lancet, by William Glazer, one of the world's authorities on international health comparisons, stated that: "HMO's were invented not by Americans but by Europeans; they are not new but were the most common way of organizing health insurance a century ago. At that time, workers joined a sickness fund, the fund hired its own doctors on capitation fees or salaries, the fund had agreements with certain hospitals, and a patient consulted out-of-plan providers only by paying out-of-pocket. Because the public opposes lock-ins, subsequent national health insurance laws have guaranteed that every insured person can consult any doctor and hospital..... HMO's can not survive under national health insurance laws. They endure only in the United State, which alone lacks the national health insurance laws that guarantee free choices by patients and doctors."

Glazer's article, entitled "The Competition Vogue and its Outcomes", ends by stating that "America's destiny is supposed to lie in economic markets, and the market must be made to work successfully in health. If facts deviate, they must be forced to conform; if the facts prove recalcitrant, they must be imagined away, since only the theory is true. Perhaps some day the facts will prove inescapable."

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## NATIONAL HEALTH EXPENDITURES

(billions of dollars)

Calendar Years	1994	1995	1996	1997	1998	1999	2000
<b>CBO Baseline</b>	998	1,089	1,185	1,288	1,395	1,510	1,631
<b>% GDP</b>	15.1	15.7	16.3	16.9	17.5	18.2	18.9
<b>% change</b>	9.4	9.1	8.8	8.6	8.4	8.2	8.0
<b>Reform</b>	999	1,112	1,237	1,314	1,376	1,438	1,495
<b>% GDP</b>	15.1	16.0	17.0	17.2	17.3	17.4	17.3
<b>% change</b>	9.4	11.3	11.2	6.2	4.7	4.5	4.0
<b>Change in Spending:</b>							
<b>New Alliance</b>	0	19	71	83	86	90	93
<b>Other New Spending</b>	1	4	13	20	25	33	38
<b>Savings</b>	0	0	-32	-77	-130	-195	-267

\* Estimates are preliminary.