

## HOW HILLARY WON OVER THE HEALTH-CARE INDUSTRY

*She was persona non grata in the early 1990s, when the then-first lady's dramatic health-care reform package went down. These days Hillary Clinton is winning raves among health-care-industry groups—and attracting their campaign dollars.*

By Susannah Meadows, Newsweek, September 17, 2007

They were an army of two: Harry and Louise, those middle-aged, middle-class icons, frustrated that the government was limiting their health-care coverage. There they sat at their kitchen table, bills strewn before them, an adding machine at hand, despair in their souls. Bureaucrats were taking away their freedom—especially one named Hillary Clinton.

Cooked up in 1993 by the health-care-insurance lobby, Harry and Louise starred in a series of ads critical of the then-first lady's dramatic plan to overhaul the U.S. health-care system. Her proposal for universal coverage actually kept private insurers in place, but she favored strict regulation—including price caps on insurance premiums. And she wasn't going to compromise, not with the insurance companies, not with Congress, not with doctors. So Harry and Louise fired back, spooking Americans with their veiled references to socialized medicine. The fictional pair triumphed in 1994, helping to sink the 1,342-page bill—a centerpiece of her husband Bill Clinton's first term.

Fast-forward 13 years. Hillary has announced a new plan for universal health-care coverage—a plan she hopes will help propel her to the Democratic presidential nomination in 2008. Surprisingly, her past health-care flop has become a significant political asset. Sixty-five percent of all voters—and 91 percent of Democrats—are confident that she would do the right thing for the health-care system, according to a Gallup poll released in July. And the captains of the health-care industry who once viewed her as the root of all evil are now filling the coffers of her campaign. (Her proposal calls for mandatory participation, which the industry tends to favor. But insurance companies will also be required not to turn anyone away for pre-existing conditions under Clinton's new plan.) As of the first quarter of 2007 she was the recipient of more health-care-industry donations than any presidential candidate—Democrat or Republican—according to a recent study by the Institute for Health and Socio-Economic Policy. Even Charles Kahn, who, as executive vice president of the Health Insurance Association of America, orchestrated the Harry and Louise ad campaign, is hopeful that a President Hillary Clinton would tackle health-care reform again. “She knows a lot about health care, she's interested, she can speak the language. It's a natural constituency,” says Kahn, who is now president of the Federation of American Hospitals and says he met with her just a few months ago to talk about the issue.

How did the woman once demonized by the industry—whose plan was derided as “Hillary-care”—become so popular in these parts?

For starters, it's a matter of realpolitik. As the leading Democratic contender running at a time of sagging GOP popularity, she's a good bet to win the White House. Health-care companies naturally want a seat at the winner's table, regardless of who it is. "These kinds of contributions in general follow power and influence, and these groups recognize that Sen. Clinton is a serious candidate to be the next president," says Fred Wertheimer, president of Democracy 21, a campaign-finance watchdog group. "They are interested in gaining access to people in power of all ideologies in both parties."

But Clinton has worked to change her unyielding ways. Her effort in the early 1990s was doomed in part by her rigid, aggressive approach; she now says she's learned from that experience. She frequently talks about how she now understands that change must be incremental and that cooperation is the only way to get anything done. People in the industry have noticed the difference. "In 1993 we had meetings with [Hillary's health-care task force leader] Ira Magaziner, but he turned his hearing aid off. There was no negotiation, no give and take," says Kahn. But she has a more open approach now. She's doing all the right things. She's talking to people, listening to people. She says, 'I've learned a lot.' All one can do is take her at her word."

She has also worked hard to win her former critics over—soliciting their views and taking their advice. In July she invited several prominent health-care-industry officials to meet with her and members of her campaign and legislative staff, says Dr. Bruce Bagley of the American Academy of Family Physicians, who was one of the attendees. Bagley noted how different things seemed. "Back in '93 it was a fairly closed process. It seemed like this big black box that finally came up with a plan," he says. This time she asked the group what her health-care quality message should be—and spent two hours listening to their ideas, key elements of which ended up in a health-care speech she subsequently delivered in New Hampshire. "For the most part, it was consistent with what we were trying to promote," he says of the speech. After the meeting Bagley got a personally signed thank-you note from the senator. And after the speech he got a hand-written note on her own stationery thanking him for having vetted her remarks beforehand. "As you know, improving the quality of health care that patients receive is fundamental to a reformed healthcare system, and I am committed to ensuring it as part of my agenda for covering all Americans," Clinton wrote. Bagley says hasn't heard from any of the other presidential candidates.

The American Medical Association also reports a warming trend. The group was frustrated by how she handled the process in '93 but now finds her staff regularly reaching out to consult. In a speech she gave to the AMA in early 2006, the group was pleasantly surprised to hear her give voice to many of its top priorities. "Physicians should have a payment ..." she said, before being interrupted by thundering applause. "Physicians should have a payment structure that doesn't result in year after year of significant and unsustainable cuts when we all know health-care costs are increasing." Fighting cuts in Medicare payments was a priority for the AMA in 2006 and remains so today.

But Clinton isn't just talking the talk. Health-care groups say they have been encouraged by her work in the Senate—where she's taken a more restrained and incremental approach. In the '90s she thought she could elbow past members of Congress. But since becoming one herself, she has made a point of joining forces with Republicans on health-care issues. Together they've worked to expand coverage for veterans and children, as well as to modernize the system with electronic, rather than paper, medical records. Her former foes in the industry have taken note. "Since becoming a senator, she's been focused on quality improvement, safety improvement, comparative effective analysis. We support all of that," says Karen Ignagni, CEO of American Health Insurance Plans, the

healthinsurance industry trade group. This year AHIP, whose lobbyists are in constant contact with Clinton's staff, put forward its own plan for universal coverage, which Ignagni says got a positive response from the senator's office.

She's made nice with the pharmaceutical industry, too. Big Pharma's lobbyists are constantly engaged with her staff, as they are with other members of Congress. "Hillary recognizes the important role of employer-provided health insurance and the important role of private markets in insuring the people in the country," says Billy Tauzin, the president of PhRMA (the Pharmaceutical Research and Manufacturers of America, a trade group for the industry), who voted against her first plan when he was a member of Congress. "I take comfort in that."

Clinton has also benefited from a growing public appetite for reform. There are now 47 million people without health insurance in America, compared to 40 million in 1993. Those who are covered have seen their insurance premiums double. Voters are now much more anxious—and better informed—about health care, making it a potent issue in the coming election. "In the 1990s, when Hillary first came out with the plan, the average Joe thought, 'I'll always get health care.' Right now there's scarcity," says Mary Kate Scott, of Scott & Co., which does health-care consulting. "We actually feel the pain."

The industry does too. In the last decade and a half, its own costs have ballooned, and the legions of uninsured people are an ever-increasing burden on the system. Health-care groups say they're now looking for solutions, and ready to talk. "The sun and moon have aligned," says Kahn. Adds Mike Bromberg, a lobbyist who helped kill the Clinton plan in the early 1990s: "There's a shift in the health community. There are more people in health care who don't seem as concerned about government program expansion anymore. When they're facing bad debts and all the uninsured patients, they'd rather have something than nothing."

But there's a downside to her careful courtship of the industry. Her chief rivals for the Democratic nomination, Barack Obama and John Edwards, have repeatedly blasted her for accepting contributions from federal lobbyists. (On the GOP side, Rudy Giuliani and Fred Thompson have tried a different tack, sounding the "socialized medicine" bell, in a not-so-veiled attempt to scare voters about Hillary's intentions.) She's raised more money directly from lobbyists—including those representing healthcare interests—and their families than any other presidential candidate, according to the Center for Responsive Politics. While she's been challenged by Edwards not to accept lobbyist cash, she's attended fund-raisers hosted by lobbyists themselves, including a \$1,000-a-plate event last month in Chicago, according to ABC News. Clinton defended herself at this summer's YearlyKos convention, where liberal bloggers both applauded and booed her. "A lot of those lobbyists, whether you like it or not, represent real Americans," she said. "The idea that somehow a contribution is going to influence you—I just ask you to look at my record."

But some consumer groups aren't convinced. They look at the healthy contributions she's received from health-care groups and wonder how far into the industry's pocket she's climbed. "There's nobody in this race with her knowledge to make health care available to every American at a cheaper cost, but it would take going after the insurance industry that's funding her candidacy," say Jamie Court, president of consumerwatchdog.org. "I don't know if there was a smoky back room, but her positions are certainly not threatening her cash stream, and their cash stream is helping her maintain her position as a front runner. In politics there aren't too many coincidences." Phil Singer, a spokesman for the Clinton campaign responds: "Reaching out, talking to and listening to the

stakeholders is how you make change. Americans from all walks have a stake in seeing a better healthcare system.”

The nurses’ union is equally glum about the chances for real reform. “Given how much money she’s gotten from the industry, the room for innovation is very limited,” says Michael Lighty, director of public policy for the California Nurses Association/National Nurses Organizing Committee, whose research arm conducted the health-care-donations study. “You either have to take on the stakeholders or you have to accommodate them. She is likely to accommodate all the major ones, certainly all the ones with deep pockets.” That’s a charge Harry and Louise would never have seen coming.

*With Karen Springen, Eleanor Clift, Richard Wolffe, and Roya Wolverson*