PERSPECTIVE

Putting Politics First

Health system reform can be successful this time if policymakers learn the lessons from the past.

by Jacob S. Hacker

ABSTRACT: The greatest lesson of the failure of comprehensive health reform in the early 1990s is that politics comes first. Even the best-laid policy plans are worthless if they lack the political support to pass. Putting politics first means avoiding the overarching mistake of the Clinton reformers: envisioning a grand policy compromise rather than hammering out a real political compromise. It also means addressing the inevitable fears of those who believe that they are well protected by our eroding employment-based system. And it means formulating political strategies that are premised on the contemporary realities of the hyperpolarized U.S. political environment, rather than wistfully recalled images of the bipartisan politics of old. [*Health Affairs* 27, no. 3 (2008): 718–723; 10.1377/hlthaff.27.3.718]

IT MAY BE SACRILEGIOUS to say this in a health policy journal, but the greatest lesson of the failure of the Clinton health plan is that reformers pay too much attention to policy and too little to politics. If real estate is about location, location, location, health reform is about politics, politics, politics.

Those who designed the Clinton plan were, of course, scarcely ignorant of politics. In fact, the plan embodied an elaborate political strategy that rested on the reconciliation of elite conflict over the appropriate path toward universal coverage—competitive reform or public social insurance. The problem was that this strategy placed policy development ahead of coalition building, bridging elite disagreements ahead of building public support. The plan was a complex amalgam designed to assuage elites that the Clinton reformers then tried, unsuccessfully, to dumb down and build up to attract broad public enthusiasm. And it was a bright bull's-eye on the Clinton White House in an era of increasingly parliamentarized partisan conflict for which the Clinton White House proved grossly ill prepared. The architects of the Clinton plan believed that they were building a "bridge to compromise."[1] Instead, they burned the bridges behind them.

Can it be different this time? I believe so—if reformers learn the right lessons from the past. When President Bill Clinton was running for office in 1992 and "Putting People First," a three-slogan agenda was famously taped on the wall of his war room. We all remember "The economy, stupid." But there were two others: "Don't forget health care" and "Change vs. more of the same." With apologies to James Carville, the lessons for today's reformers are

Jacob Hacker (jacob.hacker@yale.edu) is professor of political science at Yale University in New Haven, Connecticut, and a fellow at the New America Foundation in Washington, D.C. He is the author of The Great Risk Shift: The New Economic Insecurity and the Decline of the American Dream *(in paperback January 2008);* The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States *(2002); and* The Road to Nowhere: The Genesis of President Clinton's Plan for Health Security *(1997).*

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"The politics, stupid," "Don't forget fear," and "Changed politics vs. more of the same."

The Politics, Stupid

It is easy to criticize the Clinton effort: the proposal was too complex; the administration lost momentum by creating a cumbersome task force; the efforts to build a coalition were late and haphazard; and the commitment to in-house policy development invited a conservative counterassault. But these complaints raise an obvious question: Why did such smart people get the politics so wrong?

■ **Elevation of policy over politics.** At the root of the problem was the elevation of policy analysis over political analysis, a persistent problem for progressive reformers but one abetted in recent decades by the rise of a much more sophisticated science of policy development. As anyone who reads this journal knows, health reform has become an arcane arena of dueling statistics and approaches. And as anyone who read this journal in the early 1990s knows, the Clinton plan was formulated in this hothouse of competing reform "models"—indeed, announced on the pages of this journal in a special election-year issue not unlike this one.[2] Even the unwieldy moniker of Clinton's hybrid approach, "managed competition within a budget," belied the plan's aspiration to bridge the elite divide by synthesizing articulated reform visions (private plan competition, public insurance with a cap on spending) embodying sharply contrasting assumptions but sharing the same commitment to technically minded policy analysis.

All of this may seem to make too much of elite discourse. But consider the Clinton administration's missteps in light of the policy-analytic mind-set. In the craft of policy design, the plan was a tour de force, envisioning the comprehensive remaking of the U.S. medical–industrial complex. Existing employment-based health plans? Inadequate and destructive of the delicate incentives the plan envisioned. The answer: Let only the largest corporations run their own plans under strict rules, a choice that leading employer representatives decried as "movement toward a government financed and controlled system."[3] No platform for properly incentivized consumer choice? Build it, in the form of so-called Health Alliances, a new nation-spanning administrative infrastructure, and the plans will come. And the plans? Health maintenance organizations (HMOs) and other tightly managed products were the wave of the future, so make these the centerpiece, regardless of the fears they might provoke. The architect of Medicare, Wilbur Cohen, liked to say that social reform was 1 percent inspiration and 99 percent implementation. The Clinton plan was 99 percent inspiration.

■ **Strategy as proposal.** The problem was not that the Clinton reformers did not have a strategy to enact their proposal. The problem was that the strategy *was* their proposal. As a task force memo by Walter Zelman, a central formulator of the plan, put it in March 1993, "We have found a unique blend of approaches that is better than competing models.... It is not a low-level compromise, a product of political give and take, but a genuinely higher synthesis.... We have something...we can really be proud of—a true political breakthrough, and [a] new possibility of achieving the kind of consensus we've never gotten to before."[4] The proposal was the political breakthrough.

■ **Denigration of existing institutions.** It was but a short distance from there to the denigration of existing institutions as flawed and inefficient means of achieving "a genuinely higher synthesis," no matter their familiarity or entrenchment. (One task force memo on Medicare by a top architect of the Clinton plan declared that "Medicare's entire history should be a lesson on how not to structure a national health program," ignoring that the wildly popular program was the only national health plan the United States had.)[5] And it was but a short distance from there to the conceit that coalition building was mostly a matter of policy fine-tuning, of brokering political deals ex ante via the fine points of policy blueprints.

■ **Incomprehensible details.** But it was a very long distance from there to a proposal that could address public concerns about declining coverage and rising costs without stok-

ing fear or confusion. Premised on resolving elite-level disagreement, the structural details of the proposal were not just incomprehensible to most Americans but frankly threatening, envisioning the near-total eclipse of employment-based insurance and the massive expansion of tightly managed plans. The resulting scheme was so complicated, so intricate, so unwieldy, it could be portrayed as anything opponents wanted, and fearsome caricatures of liberty-robbing, big-government monstrosities were soon unleashed—caricatures that could scarcely be dispelled with vague mantras of "choice," "security," "simplicity," and "savings." Born in a policy hothouse, the Clinton plan wilted in the cold winds of politics, friendless, misunderstood, and shunned by the very middle-class Americans whose plight had prompted the effort.

"Born in a policy hothouse, the Clinton plan wilted in the cold winds of politics."

Don't Forget Fear

Thus we come to the second motto for the next health reform war room: "Don't forget fear"—the fear that good employment-based coverage will be destroyed, and the fear of the enlarged government role (and, yes, taxes) that will be required to substitute public spending for the private spending that now runs through employers.

■ **Fears of workers.** Health reformers have repeatedly sought to bring the United States into the company of nations that make health insurance a right of citizenship, rather than an emolument of employment, an entitlement of old age, and a grudgingly provided safety net for the poor. And again and again, they have run headlong into the vested interests and public concerns about change fostered by the United States' distinctive reliance on voluntary employment-based insurance. Over the past generation, this heavily subsidized system has gradually but inexorably crumbled, bringing more risk and anxiety into the lives of once-insulated middle-class workers.[6] Nonetheless, the great challenge of reform remains how to deal with America's eroding yet entrenched framework in a way that is sensitive to the easily ignited fears of well-insured workers that they will be asked to pay more for less.

This is not a question of policy capacity; it is a question of politics. Thanks to uncontrolled medical inflation, the U.S. public sector already spends more on health care per person than any other nation's government, despite covering only around a third of the population.[7] There is little question that costs would be better restrained and coverage more secure if the public sector assumed a larger responsibility for providing insurance. Indeed, America's long-term fiscal health depends almost entirely on the public sector's ability to exercise control over medical costs.[8]

■ **Fear of higher taxes and spending.** And yet here fear rears its ugly head again, for the fiercest political conflicts of the past three decades have concerned taxes and spending. Expanding public coverage may be the most promising route to cost control. But public coverage requires money, and money requires taxes, and taxes are politically poisonous—not least when they substitute for the much less visible drain on workers' paychecks created by employment-based insurance.

■ **Fighting fear with fear, and hope.** It is important to note that Americans are much more receptive than the conventional wisdom suggests to an enlarged government role in health care, including new taxes to support it.[9] But this is before the fear-mongering has really begun. When the rhetoric heats up, reformers will need to be able to fight fear with fear—the fear of government with the fear of losing private coverage, the fear of taxes with the fear of medical bankruptcy and debt. A substantial and growing minority of nonelderly Americans with private insurance—as many as three in ten—are distinctly unhappy with the cost and coverage of their plans, and these strains are clearly rising.[10] Reformers will also need to be able to fight fear with hope: with a clear,

simple, and nonthreatening vision that builds on what exists and meets public concerns head on—a vision that may lack the intellectual satisfaction of a fine-tuned policy blueprint but that provides the political satisfaction of actually having a chance of passage.

■ **Taking a lesson of the past to heart.** There is some evidence that today's reformers have taken this second lesson to heart (although simplicity and clarity still remain elusive). In announcing their reform intentions in 2007, all of the top-tier Democratic candidates for president—Sen. Hillary Clinton, former Sen. John Edwards, and Sen. Barack Obama—eschewed both a "Medicare-for-All" plan and an individualized approach in which Americans would be required to obtain coverage outside of employment with the help of government subsidies and purchasing pools. Instead, they embraced a messy mix of elements: (1) the creation of a new government insurance "menu" that would allow all Americans without workplace health insurance to choose among a range of regulated private health plans, as well as to enroll in a new public insurance plan modeled after Medicare; (2) a requirement that employers either provide coverage or pay a mandated contribution to help finance their workers' coverage through this new government pool (a.k.a. "play-or-pay"); and (3) a requirement—initially, or eventually if necessary—that all Americans show proof of coverage.

From a policy standpoint, this three-pronged approach lacks conceptual purity. But from a political standpoint, it has real virtues. For one, most workers who now enjoy good employer-sponsored insurance would continue, at least initially, to receive it. For another, because employers would continue to play a major financing role, the federal costs and new taxes needed would be much lower than would be true under a Medicare-for-All plan or universal individualized framework.

To provide a sense of these virtues, the Lewin Group recently estimated the impact of a health plan that I have developed with the support of the Economic Policy Institute, "Health Care for America." The proposal—a template for Clinton's, Edwards', and Obama's plans—requires employers to cover their workers or contribute 6 percent of payroll to the cost of workers' coverage. Workers whose employers make the contribution would be enrolled in a Medicare-like plan with generous benefits (they could, if desired, purchase regulated private insurance instead).

According to Lewin's estimates, the proposal would cover all but a tiny sliver of the population younger than age sixty-five—about half through the new federal system and half through employers. Yet it would actually reduce national health spending, cost the federal government a relatively modest $50 billion a year, and save states and employers substantial money. The reason the plan could cover everyone without driving up costs is that it would capitalize on Medicare's lower service prices, streamlined administration, and ability to obtain a better deal on drugs. Over time, moreover, this approach would dramatically reduce medical inflation, as public insurance was able to use its enhanced bargaining power to hold down costs.[11]

Finally, all of these proposals embody a means of gradually moving away from America's embattled employment-based structure. If, as most expect, public insurance ends up proving capable of controlling costs better than employment-based plans (or if employers simply continue to retreat from coverage), then the public plan will over time come to enroll a larger share of Americans—without the massive disruption entailed by an overnight transformation.

■ **Importance of coalition building.** Finding a policy design that will minimize public fears is, of course, only part of the battle. The bigger challenge is to build a coalition that can engage Americans constructively in the struggle while pressing their leaders to act. And that means coming to grips with the transformed political realities that stymied the Clinton plan.

Changed Politics Versus More Of The Same

Largely unbeknownst to those who waged battle over President Clinton's proposal, the battle occurred amid—and, indeed, helped complete—a transition between two very different worlds of American politics.

■ **The first world.** The first world, already crumbling in the years leading up to Clinton's election, was one based on bipartisan compromise, often behind closed doors. It rested on the continuing sway of moderates, who in an era of divided government usually held the cards in high-stakes political fights. It was premised on some degree of insulation of the legislative process from special-interest arm-twisting and party strong-arming. And it required a broadly competitive electoral environment—the myriad fierce campaign fights every two years that ensured, as Reagan-era House Speaker Tip O'Neill famously put it, that "all politics is local."[12] That world is gone, and it will not be returning soon.

Congressional moderates are vanishing; campaign money and corporate lobbying hold greatly increased sway; and party leaders wield vastly more power than they did a generation ago. Even with the shift of Congress to the Democrats, competitive election contests remain few and far between. The result is greater party polarization—something political scientists enamored of parliamentary systems have long prized—but without the consistent electoral discipline that ensures these polarized parties are accountable to middle-of-the-road voters. The motto of this new world was best summed up by Texas Republican Dick Armey, who helped lead the charge against the Clinton plan and then became House Majority Leader: "The first rule of politics is: Never offend your base."[13]

■ **Today's world.** This motto is playing out vividly in today's campaign-driven health care debates. All of the leading GOP contenders for president explicitly rejected large-scale reforms—and, in particular, any coverage requirement—even as all of the leading Democratic candidates endorsed such changes. Indeed, many Republicans embraced a set of ideas barely discussed in the early 1990s and diametrically opposed to leading Democratic plans: subsidies for individually purchased insurance and health savings accounts. In 1992 President George H.W. Bush put forth a substantial reform plan in response to the growing pressure for action. It is unthinkable that President George W. Bush would do the same in 2008.

Back in 1993 and 1994, the Clinton health policy team seemed flummoxed by the shifting sands they had stepped onto. Torn between the old politics and the new, they embraced a cause that cheered the Democratic base, then adopted a proposal that alienated much of it; packed their proposal with special favors for organized labor, then campaigned against organized labor to create the North American Free Trade Agreement (NAFTA); and expected liberal committee chairs to play their game, even as they made clear that congressional moderates were their lodestar. Behind the back-and-forth darting was the assumption that at some point, somehow, a bipartisan deal would be forged in the back room, as it had been on tax reform in 1986 and Social Security in 1983. But the political preconditions for such a bargain were gone—swept away by growing partisan warfare.

This time, it is clear that the fight will take place on the scorched earth left by these battles. And this means that the fight will require updated strategies: greater willingness to compromise on means, yet greater clarity on ends; an attention to coalition building from the very beginning; and hard thinking about procedural reforms that could reduce minority obstruction, including the threat of a Senate filibuster—the major barrier within Congress to change, now that the filibuster has become an all-purpose tool of minority party obstruction. It will also require serious efforts to bring on board committed reformers who support a universal Medicare plan, to provide them with the guarantees and arguments they need to embrace a less inspiring but more politically palatable approach. Here, a true commitment to a public insurance option, offered on a level playing field with regulated private plans,

could prove crucial.

■ **Promising signs.** Alongside the looming obstacles, there are promising signs. Galvanized by the Bush presidency and linked by the Internet, progressive activists have gained some of the passion and grassroots power that were once seen only on the conservative side. Organized labor is displaying both greater boldness and greater pragmatism, born of realism about the health of employment-based benefits and desperation about a shrinking membership. There may be room to run with key segments of the business community, as corporate leaders increasingly realize that they are caught between the rock of rising costs and the hard place of hurting workers. And workers clearly are hurting, as medical costs escalate and private insurance declines.

The great unanswered question is whether a public disillusioned about politics can be brought to kindle some faith in their leaders and their government. Americans say that they believe in government action to universalize health insurance.[14] They say that they want reform to be a top priority. Similar sentiments helped bring health care to the top of the agenda in the early 1990s, and reformers are on the verge of having their moment in the sun again. With the lessons of the past in mind, and fortune on their side, perhaps they can finally seize it.

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NOTES

1. P. Starr and W.A. Zelman, "A Bridge to Compromise: Competition under a Budget," *Health Affairs* 12, Supp. (1993): 7–23.
2. *Health Affairs* 13, no. 1 (1994).
3. Robert Patricelli, Chamber of Commerce, to Ira Magaziner, 10 May 1993, quoted in J.S. Hacker, *The Road to Nowhere: The Genesis of President Clinton's Plan for Health Security* (Princeton, N.J.: Princeton University Press, 1997), 135.
4. Walter Zelman to Bob Boorstin, 10 March 1993, quoted in ibid., 136.
5. Paul Starr to Ira Magaziner, 3 February 1993, quoted in ibid., 128.
6. J.S. Hacker, *The Great Risk Shift: The New Economic Insecurity and the Decline of the American Dream*, revised and expanded edition (New York: Oxford University Press, 2008).
7. S. Woolhandler and D.U. Himmelstein, "Paying for National Health Insurance—and Not Getting It," *Health Affairs* 21, no. 4 (2002): 88–98.
8. H.J. Aaron, "Budget Crisis, Entitlement Crisis, Health Care Financing Problem—Which Is It?" *Health Affairs* 26, no. 6 (2007): 1622–1633.
9. In a February 2007 poll, for example, 64 percent of respondents agreed that "the federal government should guarantee health insurance for all Americans," while 27 percent disagreed. Asked to choose between universal coverage and maintaining recent tax cuts, 76 percent chose universal coverage, and 60 percent said that they would be willing to pay higher taxes to cover the uninsured. "*New York Times*/CBS News Poll," 23–27 February 2007, http://graphics8.nytimes.com/packages/pdf/national/03022007_poll.pdf (accessed 29 January 2008).
10. "Are You Really Covered?" *Consumer Reports*, September 2007, http://www.consumerreports.org/cro/health-fitness/health-care/health-insurance-9-07/overview/0709_health_ov.htm (accessed 29 January 2008).
11. J.S. Hacker, "Health Care for America: A Proposal for Guaranteed, Affordable Health Care for All Americans Building on Medicare and Employment-Based Insurance," Economic Policy Institute Briefing Paper no. 180, 11 January 2007, http://www.sharedprosperity.org/bp180.html (accessed 29 January 2008). These estimates were done by the Lewin Group.
12. T. O'Neill and G. Hymel, *All Politics Is Local: And Other Rules of the Game* (New York: Crown, 1993).
13. Quoted in J.S. Hacker and P. Pierson, *Off Center: The Republican Revolution and the Erosion of American Democracy* (New Haven, Conn.: Yale University Press, 2005), 110.
14. In December 2007, 65 percent of Americans supported a "universal health insurance program in which everyone is covered under a program like Medicare that is run by the government and financed by taxpayers." Associated Press–Yahoo Poll, 14–20 December 2007, http://news.yahoo.com/page/election-2008-political-pulse-voter-worries (accessed 29 January 2008). Even greater enthusiasm can be found for a play-or-pay requirement: Nearly nine of ten Democrats and four of five Independents, and even 73 percent of Republicans, expressed support. Commonwealth Fund Biennial Health Insurance Survey, June–October 2007, http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=647816 (accessed 29 January 2008).