

Why the Clinton Health Plan Is in Trouble

By Stuart M. Butler

Sometime in the summer or early fall, the Clinton Administration will release its proposal to reform America's health care system. This reform will be no small undertaking. If the U.S. health care economy were to be a separate country, it would rank as the world's sixth largest economic power. Hillary Clinton is trying to restructure and centrally plan an economy of that huge scale.

One reason Bill Clinton won the presidential election was that he appeared to have a health reform proposal that would solve the everyday problems of Americans. These problems include the loss of insurance coverage for many families when the chief breadwinner changes or loses his or her job. The problems also include the fact that many Americans do not have any insurance provided through their place of work, and lack the means to obtain coverage themselves. In addition, employers have been facing huge increases in health costs for their employees. And even ordinary Americans with generous coverage complain about the out-of-pocket costs they face, and grumble about the complexities of insurance paperwork.

During the presidential campaign, Clinton's proposed solution to these and other problems was to adopt an idea called "managed competition." This proposal had a unique political advantage: Hardly anyone in America knew what it meant—and those who did were unable to explain it in understandable terms. The advantage of this was that listeners could imagine different things when they heard the term.

Some focused on the word "competition," and thought of Clinton's proposal as introducing a tough marketplace to health care, to drive costs down and improve efficiency. Others, particularly liberals, focused on the word "managed," and could see a vehicle for establishing a government-run Canadian-style health care system in this country. Others still, particularly in the corporate world, envisioned managed competition as effectively a national version of what they are already doing to try to keep costs down.

So the term took on any shape the observer wanted to see. That is why Clinton was able to gain wide support for this proposal, from ardent left-wingers in his party as well as those who strongly support the use of market forces in health care reform.

Lurching to the Left. When the Clinton proposal had to be turned from campaign rhetoric to a legislative plan, however, it was no longer possible to have a malleable idea. Decisions about practical issues had to be made. The plan had to acquire a single shape. What is clear from that process is that the vague notion of "managed competition" has slowly but surely evolved into a proposal that is little more than a Canadian health care system in disguise. Essentially the Left has won the internal struggle in the White House.

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The proposal as it now stands almost certainly will create the apparatus for a type of centrally planned, government-financed health care system in which fundamental decisions over treatments and the allocation of family resources will be placed in the hands of government officials and powerful interest groups. Despite all the rhetoric about “choice of doctor” and “patient empowerment” coming out of the White House, the range of choices available to America will be limited and determined by government.

Such a proposal will be bad medicine for Americans, and will disempower them in a central area of their daily lives. But, fortunately, the political prognosis for the Clinton plan itself may be very bleak—once the implications of its details are made clear to the American people. For the fact is that the emerging elements of the plan run so counter to the desires of average people that the entire package could become a political disaster. That would be the second-best thing that could happen. The best result would be if Congress were to substitute for the Clinton plan an alternative proposal that would deal with today’s problems by increasing consumer choice and strengthening private markets.

THE CLINTON PLAN

There are several central elements in the Clinton plan as it now stands:

First, there will be a standard, uniform benefits package established by a national board. This board — call it the “supreme court of health”—supposedly will be completely independent from the political process and from ordinary Americans. The whole idea is that nobody should be able to influence it. The board will lay down the package of health care services that all Americans will have. No more and no less—or at least, no more unless they are prepared to pay for it out of their own pockets with no tax relief.

If elective abortions are in the package, then every American will be forced to pay for abortion coverage, and hence the abortions of those who seek them.

Several problems arise from this, not least of which is that the health care available to every American will be determined by some distant all-powerful group of bureaucrats. Hillary Clinton complains constantly about the current system in which, to use her words, “decisions on the treatment on ordinary Americans are being made by insurance clerks hundreds of miles away in air-conditioned offices.” That, of course, is precisely what the board will in practice do.

Another problem is that sensitive treatments either will be in the standard package that everybody has to have, and ultimately pay for, or they will not. Take elective abortions. If elective abortions are in the package, then every American will be forced to pay for abortion coverage, and hence the abortions of those who seek them. They will have to pay for abortions even if they have no intention of using that service, and even if they consider abortion to be so repugnant that they do not want their money to be used for that purpose. They will have no choice. Or perhaps abortions will not be in the standard package. In this case, anybody seeking an abortion will have to pay for it out of their own pocket, or do without. That means abortions only for those who can afford them. Either decision by the board will generate intense anger and a deep sense of injustice among a large section of American society.

Another problem is that you can be sure that powerful provider interest groups will get themselves included in the standard benefit package. We have plenty of experience of this pattern. Mandated insurance benefits have led to a huge explosion of costs because of interest groups, from the chiropractors to marriage counselors, obtaining legislation to require their services to be included in all insurance benefit packages. Under the Clinton plan, this process

simply will move to the federal level. And as we all know, Congress is not exactly known for its ability to resist pressures from interest groups. Thus the standard benefits package not only is going to reflect political correctness. It will also reflect interest group pressure, rather than individual preference. And as pressure groups are accommodated, the standard plan will grow steadily more expensive.

Second, there will be powerful, politicized organizations at the state level to determine in more detail what will be provided and what health plans will be permissible. In the Clinton plan, so-called health alliances will be established in each state to determine which health plans will be allowed to compete and be available to the ordinary American. Each plan will have to contain at least the standard benefit package.

Originally, these alliances were portrayed like umpires in a game, in that they would simply make sure that everybody obeyed the rules. But as the Clinton plan has evolved, these organizations have taken on increasingly greater power to organize and manage health care in each state. In reality, they will become much more like the government institutions running the Canadian system at the provincial level, or their equivalents in other countries with national health systems. These will not be umpires, they will be more like team owners.

Significantly, in describing this system, Administration officials have moved away from the original term “managed competition,” and now speak more often of “managed cooperation.” Anybody with much experience in the nuances of political language knows that seemingly subtle difference to be very profound. The Clinton view of managed cooperation will no doubt be effectively “cooperate — or else!”

When one ponders how such an arrangement is likely to play out in practice, two very disturbing possibilities emerge. The first is that these alliances could end up like many regulatory bodies, in that they are quickly taken over by the most powerful players in the industry itself. Indeed, many advocates of a “pure” Canadian system charge that the health alliances at the state level will in fact become the creatures of large insurance companies. If so, the result will amount to a cartel of large insurance companies and managed care networks using old-fashioned political pressure and payoffs to shut out competition. That is hardly an attractive result for ordinary Americans.

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The second possibility is that in fact they work as many liberal advocates want, namely that the alliances become powerful governmental regulatory bodies. In that case, Americans simply will have to accept the services determined by bureaucrats. That is hardly a better prospect.

Third, the Administration has revived earlier talk of imposing a “global” national budget on health care spending, possibly backed up with tight price controls. The reemergence of this idea, largely dropped since the campaign, is the result of the increasing liberal dominance in the design of the Clinton plan. Liberals generally are dismissive of consumer choice in competition as a way of keeping costs down. They see direct budget controls and strictly regulated physician fees and pharmaceutical prices as the only way to curb rapidly rising health costs.

What a global budget would do is set at the national level, and then at the state level, a maximum amount of money that could be spend on health care—in both the private and public sectors *combined*. For this to mean anything, it has to require explicit rationing of health care. It means, moreover, that it would be literally illegal for doctors and hospitals to provide care once the budget limit had been reached — even to those willing to pay for it.

To be sure, many Americans do feel this is a tough but sensible way to keep costs under control. But a global budget would be unfair, and would lead to political disaster for those trying to enforce it.

For one thing, to work it would mean explicit rationing for middle-class Americans. But polling shows that there is overwhelming and implacable opposition to rationing among the general public. True, rationing of care to the poor is tolerated, although without enthusiasm. But the poor have less political clout. It is hard to see how politicians could stand firm against middle-class Americans demanding health care, when these Americans have the money to pay for it. One would have to be naive to assume that Congress would ever try to enforce such a limit.

And even if they did try to, the only effect of setting a global budget would be that those with power and money would continue to get all the care they wanted, and there would simply be even less for everyone else. Does anybody seriously think that Hillary Clinton—or Chelsea Clinton — would not get all the health care she needed despite a global budget? Or does anybody seriously think that a rich businessman, like Bill Gates of Microsoft, would not get all the health care he wanted? Or that Senator Byrd or Senator Dole would have to do without care under the global budget? Of course not.

These and other well-placed Americans would get all the health care they needed, and it would come out of somebody else's share. If you think otherwise, go to Britain or Canada and see how hospitals seem to spring to attention to treat those with money and power, while ordinary citizens must wait for months or years for elective surgery. Or ask yourself, how was it that Governor Casey of Pennsylvania magically could get his telephone call put straight through to the chief of transplant surgery in Pittsburgh, and how was it that within hours the hospital could secure the heart and liver he needed when it was decided he needed a transplant? Other Pennsylvanians have to wait for months for organs. Many die waiting.

A global budget would not in reality mean rationing for the powerful. It would simply mean stricter rationing for the poor, the ill-informed, and the unrepresented.

Fourth, the Administration intends to pay for much, if not all, of the new program with payroll tax imposed on business. The primary reason the payroll tax appears to have been chosen is that the Clinton Administration's own rhetoric, and the attitude of the American public, make imposing a more visible tax politically impossible. The fact is that most Americans feel that if "waste" and "profiteering" were squeezed out of the health care system, everyone could have all the health care they could possibly want and there would still be more than enough savings to cover the uninsured. This is naive, of course, but the Clinton campaign encouraged this idea with all of its talk of waste and gouging and with its many references to a health care plan that would include no new taxes.

The snag is that there turns out to be rather less waste than was advertised. And it is hard to identify and eliminate the waste that does exist without encountering vocal opposition. So to pay for the generous benefits the Administration wants to give us all, there is a very large tab that someone must pick up. Administration officials correctly feel that if they choose a payroll tax to finance this, many Americans will continue under the illusion that such a tax is a levy on businesses, and does not come out of their own compensation. A labor economist could easily show them otherwise, but American workers do not tend to pay much attention to labor economists—or indeed any economists. This is one rare case where they would be wiser to listen. So the Administration clearly sees the payroll tax as a useful hidden tax to finance its plan.

Rising Labor Costs. Among the many problems associated with such a tax is that it has to be very large to do what the Administration wants to accomplish. Recent estimates by Lewin-VHI, a leading econometric firm, indicate that to finance a benefits package for workers, their dependents, and the currently uninsured would require a payroll tax of 10.21 percent,

69 percent of all businesses in America would see their labor costs per employee increasing by more than \$1,000 per year — 26 percent of all American households would see their health spending actually increasing by more than \$1,000 per year.

split between employers and employees. This, incidentally, assumes that employees still would pay significant deductibles and copayments as part of the standard benefits package. This new payroll tax amounts to an additional \$73 billion in extra costs to American business each year. If the Medicaid population were to be included under the standard package, the payroll tax needed to finance this would go up to 11.31 percent, or \$102 billion per year in additional business costs. And if Medicare were included, the tax would reach 12.85 percent, for a \$132 billion annual cost increase for American firms.

According to Lewin-VHI, even the 10.21 percent tax would mean that 69 percent of all businesses in America would see their labor costs per employee increasing by more than \$1,000 per year. Moreover, since individual families would pay a share of the payroll tax, as well as the out-of-pocket expenses associated with a plan, Lewin-VHI calculates that 26 percent of all American households would see their health spending actually increasing by more than \$1,000 per year.

Needless to say, when the grim cost reality becomes clear to ordinary Americans, and to businesses, there is likely to be fierce opposition to the level of payroll tax needed to fund the Clinton plan. At the moment, very few people have any idea of what the level of the tax would have to be, and Administration officials have been systematically understating the likely level. When the facts get out, it is hard to see how the White House will be able to build popular support for the new levy.

Moreover, it is a simple economic reality that when the cost of hiring somebody goes up, a combination of two things happens. Employers hire fewer people, or fire some of their existing employees. And cash compensation for existing and new workers is reduced over time.

To examine this effect, the National Federation of Independent Business recently contracted with the research firm CONSAD to calculate the likely impact. CONSAD, which undertakes employment and health analysis for the U.S. government, estimates that an eight percent payroll tax (much lower than would be needed to finance the Clinton plan) would lead to an immediate loss of almost 400,000 jobs, chiefly concentrated in the small business sector. But in addition to this, CONSAD points out that many jobs would be "at risk" of substantial reduction in wage rates or terms of employment—such as prolonged layoffs or shifts to part-time work. With an eight percent tax, CONSAD calculates, some 6.6 million workers would find their cash compensation and terms of employment significantly reduced. Once again, the Administration will find it very hard to persuade the American people that its health plan is worth this heavy cost in jobs and wages.

When all of these elements are taken together, it becomes very clear that the Clinton Administration may have bitten off far more than it can chew in trying to impose its quasi-Canadian health care system on the United States. It is really quite amazing that they ever thought they could radically reconstruct the health care economy. As I have said, doing so would mean changing the entire structure of a segment of the U.S. economy which, if it were an independent

country, would be the sixth largest economy in the world. Moreover it is an incredibly complex economy. And the Administration was going to do all this in just 100 days! The arrogance is almost beyond belief.

Key Elements of the Consumer Choice Proposal

1) Tax Change

Exclusion for employer-sponsored plans replaced with a refundable tax credit.

Credit can be used for health insurance, out-of-pocket expenses, and contributions into a Medisave account.

2) Mandate

All Americans have to obtain at least catastrophic health insurance coverage.

3) Employers

Must indicate to employees the value of health benefits they currently provide.

Upon a majority vote of employees, must "cash out benefits" and allow employees to pick a different plan.

Must, at the direction of employees, make a payroll deduction and send check to plan of employee's choice.

Must adjust withholdings to reflect estimated health tax credit.

4) Insurers

Must convert employer group plans to individual policies with no more than 25% increase in premium.

Must provide policyholders the right to renew coverage at average premium increase, irrespective of health.

THE ALTERNATIVE TO THE CLINTON PLAN

Is there another way of dealing with the understandable concerns of Americans without the radical and politically unsustainable approach of the Administration? Is there a way of enabling Americans to feel much more secure, safe in the knowledge that their health insurance is not suddenly going to be dropped when they move jobs? Is there a reform that would mean the self-employed and owners of small businesses would no longer find their health insurance rates suddenly shooting through the roof because they or one of their workers became very sick? When conservatives think about how to deal with such problems, their instinct is not to create some abstraction and then force the entire health care system to fit with theoretical objectives. What conservatives wisely do in this situation is to combine incremental change with more substantial reform based on models we already know work to a tolerable degree.

Fortunately, in the case of health care, we have such a model. Today, some 9 million Americans have a form of health care coverage that most Americans can only dream of. These Americans are allowed to choose among ten to twenty plans every year. They examine the premium prices, the out-of-pocket costs, the range of services, and the doctors and hospitals in each plan. They then make a decision based on these factors. Very often they use insurance brokers, consumer organizations, trade unions, or other employee organizations to help them make their decision.

They have a strong incentive to pick the best value for money. This is because whatever plan they pick, the government contributes a percentage share of the premium cost. This means they pay more out of their own pocket for a more expensive plan than a less expensive one. This understandably encourages a careful search of the options.

Not surprisingly, this active consumer choice leads to families acting more efficiently than is true in most corporate plans, where there is no particular savings to the employee if he or she economizes. Indeed, in the "first dollar" plans provided by many large industrial firms, there is no incentive whatsoever to agree to less expensive services or to less elaborate health insurance. But in the model I am describing, the strong incentive to economize has led to a rate of increase in premiums during the last fifteen years which is a third less than in the employer-sponsored health plans.

And finally, when these employees have chosen the plan they want, they can keep it from job to job without any interruption. It does not matter whether they work for a very large institution or one with just a few employees. They can even keep their chosen plan when they retire. That is a level of portability and security that few of us have.

Hillary Clinton does not have to travel far to examine this model. She is in it. I am referring to the Federal Employee Health Benefits Program, which covers executive branch employees and their dependents, federal workers, Members of Congress and their staff, members of the federal judiciary, and federal retirees. Members of Congress are so happy with this program, in fact, that they have routinely exempted themselves from bills to create the programs they wish to impose on every other American.

I think the appropriate thing to say to Hillary Clinton is, "Don't reinvent the wheel, and don't give us second best. Give us the health care system *you* have!"

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The Heritage Foundation has developed a proposal that would provide ordinary Americans with a system very similar to that enjoyed by their rulers. In fact, by improving the federal model through revisions in the premium-setting rules and strengthening the incentive structure, The Heritage Consumer Choice Health Plan actually would provide a far superior system for Members of Congress as well as other Americans.

To do this, The Heritage Plan essentially does three things.

First it provides the same tax treatment for a plan obtained from any source, not just through an employer, and it would treat insurance and out-of-pocket expenses equally for tax purposes. This means Americans could choose a plan offered through, say, a union, or directly from an insurance company or health maintenance organization, or even through a church, and get exactly the same tax benefits. Thus no longer would Americans be forced to depend on their employer for their health coverage. Moreover, they would get tax relief for out-of-pocket medical costs, thereby discouraging expensive insurance for routine medical expenses.

But perhaps just as important, neither would they have to be on their own, trying to make a deal with a powerful insurance company. They could do so, if they wished. But they would also be able to join a large powerful organization, such as a union plan, to bargain on their behalf. Thus under the Heritage proposal, families could gain access to powerful buying alliances to strike the best deal with the powerful provider organizations in the current system. Some Americans can do this today, if they work for a large firm. Under the Heritage proposal, they would be able to do so not just through employers, as they must today, but through other organizations they are affiliated with and trust. And they would be able to stay with that organization's plan however often they changed jobs.

Under the Heritage plan, employees would get control of *their* health dollars and get tax relief for a plan of *their* choice, not the plan that their employer concludes is the best value for company owners.

Significantly, about a third of all federal workers obtain their coverage through a union or other employee organization. We think union-sponsored plans would become common if the Heritage proposal became law. In rural areas we think many families would choose coverage through farm bureau plans.

Elsewhere, they might join church-sponsored plans. In Utah, we think many people would get their coverage through the Mormon church. In the inner cities of America, we think the black churches would quickly assume the role of sponsoring health plans for families who now are uninsured because their small-business employer does not provide insurance. Nobody who has any experience of the black churches can have any doubt that they would drive a hard bargain with insurance companies and hospitals, on behalf of their subscribers.

The central point here is that Americans could turn to organizations they trust to bargain for them, and get the tax benefits they currently can get only if their employer takes part of their compensation and spends it on a health insurance plan chosen by that employer. And just as important, the Heritage proposal would require a firm now providing insurance to "cash out" the benefits and give workers the full cash value, if a majority of employees wanted to obtain a health plan from someone else. So under the Heritage plan, employees would get control of *their* health dollars and get tax relief for a plan of *their* choice, not the plan that their employer concludes is the best value for company owners.

Second, under the Heritage proposal, the current tax treatment would be changed to a refundable tax credit. The Heritage Plan would end the current tax exclusion for company-provided plans and replace it with a sliding scale refundable tax credit. The refundable nature of the credit means, in effect, that low-income people would be provided with a health voucher for the purchase of insurance and routine out-of-pocket expenses. Sliding scale means that the higher the family's health costs are compared with its income, the higher the credit for health expenses would be. The current child care credit is an example of a sliding scale credit.

The credit would be available for any of three forms of health purchase: an insurance policy or Health Maintenance Organization (HMO) subscription, out-of-pocket medical expense, or a contribution to a new "medisave" account, which would mean putting aside money in a special account to finance future medical expenses. The medisave proposal was developed by the Dallas-based National Center for Policy Analysis, and dovetails neatly with the basic Heritage proposal. Because the credit would be available for out-of-pocket expenses and medisave contributions, and not just insurance, we believe that many Americans would choose to buy less insurance than they do today, and to pay for routine expenses out of pocket. Studies show that this allocation of spending would in fact keep total costs lower for the great majority of families.

Third, the Heritage Plan would include insurance reforms that would turn today's quasi-insurance into real health insurance. Insurance companies would be required to renew coverage each year at a predetermined rate of increase, much as most life insurance policies do. This means that insurance companies would be required to carry risks over the long haul, rather than adjusting premiums each year to reflect changing risk. Today, health insurance is rather like single-year term life insurance, in that any change in health circumstance immediately affects the next year's premiums.

Fourth, the Heritage Plan would require all households to obtain at least a catastrophic health insurance policy for all family members. This is not because of some Big Brother desire to micro-manage people's lives. It is based on a simple social reality. The fact is that, in the United States, when somebody falls desperately ill we do not deny them health care because they have chosen to spend their money on vacations and cars rather than covering themselves adequately with health insurance. Thus many Americans with the means to protect themselves know that they can be "free riders" on the rest of us, forcing us either to pay out in taxes for their expensive care or feel morally obliged to give them charitable care.

I happen to think that each individual should take responsibility for their own health care insurance needs if they can afford to do so, not rely on the more prudent members of society to pick up the tab for them if they or their family become very seriously ill. Thus requiring catastrophic coverage is to protect the rest of us from those who try to force us to pick up the tab for them. It is not to protect them.

Some of my libertarian friends have trouble with such a mandate. I'm not happy about it myself. But unless we are prepared to refuse heart surgery to, say, a two-year old child in a middle-class family choosing to forego insurance—which we are not going to do—I think we should make that family take responsibility for making sure it can afford the tab.

In principle, I would have no objection to relieving families of this requirement if they were to sign a legally binding document that said something to the following effect: "As the head of my household, I have decided not to insure my family from financial ruin due to a catastrophic accident or illness—even though I can afford insurance. I instruct all medical personnel to withhold care from me and all members of my family if I do not have the means

to pay for it, or cannot reasonably persuade these health care providers that I will be able to pay my debts in a reasonable time. Moreover, I shall refuse all charitable care for myself and my family, since others do not have the moral obligation to pay for my family's care if I can afford insurance."

Now I can't imagine many people lining up to sign such a document. Nor do I think it would be an effective protection for society. The fact is that we are decent people and would still treat a seriously ill child of a middle-income person even if they had signed such a document.

So I think there is a fundamental principle at stake here. Either a household frees the rest of us from any obligation to bail them out if they do not make adequate preparation for a catastrophic illness—which I do not think is practical—or society accepts its moral obligation and in turn requires families to accept theirs.

THE BOTTOM LINE

When one looks at the whole issue of health care reform, the debate really boils down to the answer you give to three basic questions:

QUESTION #1: Who ultimately should decide what treatment you receive and who provides you with that treatment? Should it be some independent board, the government, employers (as today)—or each individual family, bearing in mind its choices and the costs and benefits involved?

QUESTION #2: Who ultimately controls the dollars? It is often said that "He who pays the piper calls the tune." Therefore, the people who ultimately control the dollars actually control the operation of the health care system. Do you feel that the government should control the dollars or some health alliance in each state? Or do you think it should be each family, by making its own decision on which plan or which doctor will receive that family's money?

QUESTION #3: Which economic system is most likely to keep costs under control? Central planning, run from Washington and state governments, or a market system based on consumer choice and competition?

These are the basic questions in reform. Today, for most working Americans, employers call the shots and insurers and health providers actually work for them. The Heritage Consumer Choice Plan sees the family as the active agent controlling the dollars and driving the system. Clinton sees the government making the most crucial decisions.

The Political Test. Finally, is the idea of a consumer choice plan politically viable, especially when set against the Clinton approach? Well, there has just been a set-piece battle between these two approaches in the recent Texas Senate race. The incumbent Senator, Bob Krueger, ran on the Clinton approach stressing government provision and regulation, and price controls. Moreover, Clinton's campaign top

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guns, James Carville and Paul Begala, were sent down to Texas to destroy Kay Bailey Hutchison

the same way they destroyed Richard Thornburgh on the issue of health care in the 1991 Senate Race in Pennsylvania. They even ran the same populist television campaign ads.

But Kay Hutchison was a very different candidate from Thornburgh in a crucial respect. She had a well-developed health proposal modeled on The Heritage Foundation plan. The plan she ran on would introduce a system of refundable tax credits for the purchase of health plans, so that families no longer would be tied to the employer and would be able to keep the same plan with them from job to job, just as they take life insurance policies from job to job. In addition, Hutchison would permit Americans to set up medisave accounts to build up a financial buffer for future out-of-pocket expenses.

Anyone who saw the second state-wide debate between Hutchison and Krueger, which turned on the issue of health care, would have seen how she used this idea of empowering Americans through a health tax credit with devastating effect against Krueger. And just as crushing was her comparison between the way the Members of Congress currently are covered and the plight of other Americans.

To quote Hutchison:

The difference between us is, you don't want to give everybody in America what you have as a Member of Congress. You have exactly the choice I am trying to give everyone.... you choose the one [plan] that is best for your family. You get the tax credit and you are able to spend the money the way you want to. I want everyone to have the choice that Bob Krueger now has.

The Hutchison-Krueger election shows that the Clinton health juggernaut can be stopped in its tracks with a comprehensive alternative based on the Heritage proposal and strategy. For too long, conservatives have been distrusted by Americans on the issue of health care. Conservatives criticize liberal health proposals, but they have not committed themselves to a reform that would deal with the legitimate worries that most American families have about their health care. So Americans doubt that conservatives really want to solve their problems. And conservatives always have played defense. That has allowed liberals to choose the timing and ground on which to conduct the health care debate. And that has always left them with the advantage, and allowed liberals gradually to push the entire health system in their direction.

Until conservatives and their allies present the country with a real alternative to the liberal agenda, and one that recognizes political realities while achieving the objectives of the reform based on free markets and limited government, we will always be on the defensive, using delaying tactics. And we will simply lose slowly.

The Heritage approach solves today's problems on conservative principles. The devastating way in which Kay Hutchison used that approach to help beat Bob Krueger shows that it also meets the political test.

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