

RELEASE IN PART
B5,B6

From: Neera Tanden [REDACTED]
Sent: Friday, January 22, 2010 1:03 AM
To: H
Subject: Re: What's Plan B?

Hillary,

Essentially, as has been reported, there are two options on the table:

Option 1: House pass a bill through reconciliation that contains the tax and spend portions of the conference agreement that we had basically forged, alongside the Senate bill. The Senate then passes the agreement through reconciliation, with a majority vote. The problem here is that there is great fear in the House that they will only end up with the Senate bill and the Nebraska deal is a killer. Coakley has argued that the Nebraska Medicare deal hurt her and people in the House have internalized that argument. In addition, there's an abortion problem. We only had one vote to spare with the House bill with Stupak's restrictions, and the Bishops have opposed the Nelson deal on abortion in the Senate side. One could ask why they would oppose health care for 30 million people based on the differences between the House and Senate abortion amendments - which are pretty darn close - but that is definitely a problem and could cost a few votes. Which would mean getting people who voted against the House plan to vote for it. Now even a month ago, there were House moderates who supported the Senate plan over the House. For example, I talked to Stephanie Herseth Sandlin and she told me she would support the Senate bill (this was before the Nelson deal). But now, after Massachusetts, converting a no vote to yes is incredibly difficult, if not impossible.

Option 2: Strip down the bill to its most popular elements, including insurance reform and cost containment, with little or nothing on coverage. Some folks seem to think that if we do cost containment, then we have fulfilled our promises. The substantive problems with this approach are, as you know, that we can't do guarantee issue/no pre-existing condition exclusion without covering lots more people. If we do, costs will likely rise for everyone, which has pretty much happened in states with community rating as insurers just pass on the costs. There are political problems with this, because its so far from what the President offered, but even leaving that aside, I personally do not understand who is the 60th vote for that approach. I do not understand why Snowe will vote for this - the political pressure on her to vote no will be extraordinary. And the fact is that the Senate bill that was on the floor in December met her substantive requirements - it had no public plan, but was more generous on subsidies. And yet, she just kept telling us to not rush things. I mean, I'm with Harry Reid who has said it was a waste of time to spend so much effort courting her. I hope I'm wrong, because otherwise, I'm not really sure what to do.

There seems to be some thought to let the caucuses take their temperatures and come to the realization that option 1 is in their best interest. Because really, they should understand that they have all voted for this bill and the Republicans are going to run against them on the bill regardless,

and if it fails, they have no counterargument. If they pass it, they will look like they can actually govern and will have at least something to say about the bill that is positive. Maybe they need to come to that realization on their own, because there is a lot of anger at the White House for making them spend a year on this bill that is so clearly unpopular. So that seems to be why we're waiting. In the meantime, we are working on Option 2 in case it comes to that, and we hope that Snowe or Collins or both will go along. There may be a secret strategy to get them, but I certainly don't know it. Or maybe people will come to Option 2 sooner and it will move quickly.

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[redacted] But then potus floated it in his interview with ABC yesterday and then [redacted] Baucus is pushing hard for passage of the Senate bill, as are others. And really not unexpectedly. But obviously, we have the House problem.

In the meantime, as we wait, these things can fly out of control and people on the Hill are pretty pessimistic. They are running through these scenarios too. And obviously, everyone is freaked out. Polling is horrible out there - Lincoln is behind as are other Democrats, like Specter.

The one good sign is that labor and Senator Conrad were both agreeing on using reconciliation for cleanup of the Senate bill. But that was yesterday.

In terms of cost containment ideas that are palatable in a skinnier bill, we are focused on the following:

-Administrative Simplification

-Center on Innovation in Medicare—where Medicare pushes innovations like chronic care management, accountable care organizations

-Bundled Payments - where Medicare promotes paying for a disease treatment, rather than each point of service

-Quality Reporting - requiring hospitals to report

-Hospital Acquired Infections - lower payments

-Readmissions - reduced payment for avoidable readmissions

These are the ideas we're putting in the Option 2 plan. [You had quality reporting, chronic care management, administrative simplification (through electronic records) and something close to Hospital Acquired Infections in your health care plan; we also talked about innovations in payment systems to reward quality but were pretty general, though hinted at something close to bundled payments.]

The problem is CBO is not giving much credit for each of these items. And they list prevention as a cost. The big cost reduction items that score are the excise tax on high cost health care plans (e.g. the Cadillac tax) and the Independent Payment Advisory Commission (what used to be known as IMAC which creates processes to streamline cutting Medicare). The excise tax is not going to happen in a scaled back bill because labor will go ballistic. And the House hates the Commission. So you see the quandary on costs. We survived the campaign on using electronic records, chronic care management and prevention as our answers on cost control even though they would not have counted for big savers with CBO so perhaps that doesn't really matter. In terms of actually paying for the \$100 billion, we'd use mostly Medicare Advantage cuts.

That's pretty much the state of play as I know it. And obviously things are very fluid. I would not say I'm particularly optimistic. But you know my motto - expect the worst and be relieved/thankful when it doesn't happen.

The Massachusetts loss is so confoundingly stupid I don't even know how to wrap my head around it. I mean, there are no other races right now. I just do not understand what Messina/Gaspard, the DNC and the DSCC were doing over the last month. I heard Wed that she had a 40% chance of losing and sent up the alarm to everyone I knew. And it seemed like many people had no idea.

I assume Rahm will welcome ideas on strategy as well as substance. Because God knows we need both.

Thanks for your well wishes for 2010. It has definitely started off a little bumpy. It's almost funny that six days ago we were wrapping up legislative language on the conference and sending it to cbo.

I hope you have a wonderful 2010. I'm thankful for your leadership on Haiti - when something like that happens, it's a relief to have someone like you in command.

One final thing. I emailed Cheryl to offer to go on the record to refute Game Change. I haven't read the book, but going just off the excerpts, there were things that I thought were just plain wrong. I do understand that engaging the book didn't make much sense, and it seems to have blown over quickly. Anyway, you probably already knew this, but since a natural disaster of tremendous proportion struck at the time, I can imagine it wasn't that important.

Wishing you all the best,

Neera

From: H <HDR22@clintonemail.com>
To: "ntanden" [redacted]
Sent: Thu, January 21, 2010 5:17:30 PM
Subject: What's Plan B?

Neera--

[redacted]

What do you think can be done now?

Hope you're well and that 2010 is a good year for you and your family.

All the best, Hillary

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