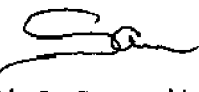


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SAMUEL D. CHILCOTE, JR.  
President

December 20, 1991

TO: The Members of the Executive Committee  
FROM: Samuel D. Chilcote, Jr.   
RE: Advisory Council on Social Security Report

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The Advisory Council on Social Security ("The Steelman Commission") released its final report, Commitment to Change: Foundations for Reform at a press conference yesterday. A copy of the report and press clips are enclosed.

The Council was appointed in July 1989 by Department of Health and Human Services Secretary Louis Sullivan to make recommendations on reforming the nation's health care system. Deborah Steelman, Chair of the Council, was a health policy advisor to President Bush during the 1988 presidential campaign.

During much of 1990 and earlier this year, President Bush was reported to be waiting for the Council's report before devising his health care reform package. More recently, it has been widely understood that this bipartisan panel has been unable to reach consensus, and expectations of its potential significance have diminished greatly.

The more than five hundred page report makes a series of short- and long-term recommendations. At the core of short-term recommendations are the immediate creation of school-area clinics for children under 12 years of age; school-based health insurance for children and young adults up to age 22; and the expansion of health care services to rural and inner-city areas.

The Council's press release says that the \$3 billion for the short-term recommendations "could be totally funded by additional taxes on tobacco and alcohol products." The report specifically calls for an increase in the federal cigarette excise tax to 32 cents per pack -- with indexing for future inflation.

The long-term recommendations for achieving more comprehensive reform call for funding a series of demonstration projects, at a cost of an additional \$3 billion, that would test ideas embodied in proposals now before Congress for extending access to the uninsured. These projects would not yield results until the turn of the century. The funding sources for these projects were not specified.

The Council's lack of consensus is apparent in a strongly worded minority statement (pp. 161-169) by four Council members: former Social Security Commissioner Robert Ball, former Secretary of Labor John Dunlop, AFL-CIO Department of Employee Benefits Director Karen Ignagni and Service Employees International Union President John Sweeney. It denounces the Council's failure to "devise a coherent, comprehensive response to the urgent need to provide adequate health care to all Americans at a cost that our society as a whole can support." Further, it calls for "equitable and progressive financing" of such programs.

The report also contains a five-page section on "Individual Lifestyle and Behavior Choices," with one paragraph devoted to tobacco use (pp. 60-64). Additionally, a specific recommendation for "Promoting Healthy Lifestyles" calls for "prohibiting all forms of advertising for tobacco and tobacco products and banning the sale of cigarettes from vending machines," as well as phasing out the tobacco leaf subsidy (p. 121). A proposal in an earlier draft to eliminate the alcohol and tobacco "subsidy" as a revenue-raising device was dropped from the final report.

Yesterday's press conference was well attended, though relatively uneventful, since an advance copy of the report had been leaked and reported in the Washington Post. Media coverage noted that the proposals would be financed by increased tobacco and alcohol taxes, but most news accounts did not focus on this.

On the whole, tobacco issues were not a major focus at the press conference or in the media coverage. In her preliminary comments, Steelman attributed major health care costs, in part, to lifestyle and behavioral choices. She then launched into a short but spirited condemnation of tobacco, citing statistics of alleged tobacco-related death rates and the "costs" of tobacco-related diseases. She also quickly summarized the report's recommendations listed above.

During the question-and-answer period, Steelman repeated a few of her points on tobacco and alcohol, including assertions that it is unfair to nonsmokers to subsidize smokers' health care costs and that eliminating tobacco use altogether would address this problem. She also cited a reported 37 percent drop in teenage smoking in Canada as attributable to increased cigarette excise taxes in that country.

Of note, Families USA, a group supporting comprehensive national health care reform, issued a press release calling the Council's report a "sham" and "pure chicanery." The group also said that the Council was dominated by the insurance industry and other

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health care system "profiteers," and called its cost control recommendations "worse than a bad joke."

The Steelman panel's experience demonstrates the difficulty of reaching a consensus on the health care problem and underlines the temptation to policymakers of quick fix, piecemeal solutions relying on "sin" taxes for financing. Our strategy continues to be to work with allies and third-parties for comprehensive health care reform financed through broad-based, progressive taxes. Additionally, during the Congressional recess and into 1992 we will be making every effort to assure that the Steelman panel's recommendations regarding tobacco are not included by the Administration in its domestic program.

SDC:chg

Enclosures

cc: TI Senior Staff