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# Hillary Clinton's Potent Brain Trust On Health Reform

By ROBIN TONER

**WASHINGTON**— THE CLOCK is running on the Clinton Administration's task force on health care, which now has only two months to produce a comprehensive restructuring of a system that has resisted comprehensive restructuring for years. But Ira C. Magaziner, who is running the mammoth policy-making enterprise with First Lady Hillary Rodham Clinton, still found time last week to make the long trip to the Tetons.

There he met with a loose-knit group of experts that has become one of the most important influences in the shaping of the Clinton plan. Known as the Jackson Hole Group for the Wyoming ski town where its members meet, it has included over the past three years about 100 academics; executives from the insurance, hospital and pharmaceutical industries; physicians; representatives of business and assorted policy makers.

Although Mrs. Clinton did not attend the session, she demurred regretfully and respectfully. The Jackson Hole Group is, at the moment, hot -- the leading proponent of "managed competition," an approach to health insurance that was embraced by President Clinton during last year's campaign and thus moved to the center of the policy debate.

To understand the shadowy fascination of the Jackson Hole Group, one must first understand this: An exercise in policy-making that affects virtually every major constituent, interest group and business is under way in Washington, and it is largely taking place in endless meetings of working groups behind closed doors. In such a blackout, deciphering the intellectual forces at work on Mrs. Clinton and her top

advisers might hint at the outcome. While Mrs. Clinton and Mr. Magaziner have marshaled more than 300 experts to assemble the health reform proposal by May 1, the Jackson Hole Group has already provided much of the basic blueprint. **How It Works**

Managed competition is still, as Mr. Clinton's political adviser James Carville puts it, a term that "no person has ever heard of, only intellectual forces." And it has its critics, including those who call it a kind of Insurance Industry Preservation Act and those who question whether it alone will truly control medical costs. But it has gained a wide following in recent years.

In theory, it would band employers and individuals into large cooperatives to purchase health insurance, giving small businesses and individuals the same bargaining power as big companies. On the other end, it would force doctors, hospitals and insurers to form partnerships that would compete for the cooperatives' business, each trying to offer the highest-quality but least-expensive health plan.

The thinking is that such competition -- overseen by a National Health Board establishing standards for benefit plans -- would hold down medical costs yet improve health care. As for Americans currently uninsured, contributions from employers and the Government would allow them to join a cooperative.

Two of the principal advocates of managed competition are Alain C. Enthoven, a professor of economics at Stanford University, who began formulating these ideas back in the 1970's, and Dr. Paul M. Ellwood, a pediatric neurologist from Minnesota who is widely considered a father of health maintenance organizations.

While the informal meetings at Dr. Ellwood's home in Jackson Hole have taken place for 20 years, they -- and the concept of managed competition -- received little attention until soaring medical costs forced policy makers on the state and national level to seriously consider change. The concept was set forth in 1991 in a formal document: "The 21st Century American Health System -- Managed Competition: A Proposal for Public and Private Health Care Reform."

Around that time, various versions of managed competition began creeping into the political process. The theory was embraced by a group of conservative Democrats on Capitol Hill, led by Representative Jim Cooper of Tennessee, by former Senator Paul E. Tsongas of Massachusetts, and ultimately by President Bush and Mr. Clinton. The editorial page of The New York Times also played an important role with a number of editorials in support of managed competition, according to longtime players in the debate.

The group and its proposal have many fans, who see it as a sweeping reform of the health-care system that is sensitive to American culture and sensibilities; the very name sounds like a muscular but orderly capitalism. It also has a strong political appeal for elected officials who fear that other widely discussed alternatives, including a Government-run system like Canada's, are too radical or too costly to sell to the voters. **The Disbelievers**

The group and its ideas have legions of critics and skeptics. "If you get it down to sea level, it doesn't do anything, which is why everybody likes it," said Representative Pete Stark, the California Democrat who is chairman of the health subcommittee of the House Ways and Means Committee. "There's no new taxes needed, it provides universal access, and if you believe all that, that's somewhere between the tooth fairy and the chuckling oyster."

More specifically, many critics see the Jackson Hole philosophy as an attempt to stave off true reform and preserve the lucrative franchises of the establishments that dominate health care -- especially the insurance industry. Dr. Steffie Woolhandler, an assistant professor of medicine at Harvard and a founder of Physicians for a National Health Program, a supporter of a Canadian-style system, says: "Managed competition is a last-ditch effort to preserve a role for the insurance industry in health care."

Dr. Ellwood says he was only trying to bring together all the players in the health-care system and sit them down in his living room to hunt for solutions. "The basic problem with the health industry is, here's this huge industry and there's no obvious leader," he said in an interview. "In order to get some sense of consensus, some sense of what could be accomplished, the device I used was to informally assemble leaders to focus on the problems."

Dr. Ellwood, who practiced medicine for 17 years, has been advising and consulting on health policy and planning for many years through the research group he founded, called InterStudy. Mr. Enthoven, a former economist with the Rand Corporation and an assistant Secretary of Defense under President Johnson, has also consulted and written extensively on health issues. Along with Lynn M. Etheredge, a Washington-based health-care consultant, those two are considered the principal architects of the Jackson Hole initiative.

The insurance industry and the medical profession are both well represented in the group, as is the pharmaceutical industry, which has been criticized by both Clintons lately.

Jackson Hole Group organizers are careful to note that not all the participants support the group's formal proposal. Mr. Enthoven said in an interview: "What was valuable is that we brought together people from many perspectives. We learned from each other."

Dr. Ellwood said the organizers "go to great lengths psychologically to make this meeting work." Participants dress casually and engage in opening ceremonies and skits, occasionally in frontier or Western attire. (Mr. Magaziner, reflecting Washington more than Wyoming, showed up in a suit.)

Last weekend's meeting was technical, detailed and focused on the practical problems of moving toward a system of managed competition, Dr. Ellwood said. Mr. Magaziner, who attended on Sunday, briefed the group and sought proposals on cost containment, Dr. Ellwood added.

The links go beyond that meeting. Mr. Enthoven and Mr. Etheredge are among the consultants to the Clinton task force, for example. (The culture of secrecy is such that the White House refuses to provide

a full list of consultants brought in to aid in the effort.)

Jackson Hole leaders also briefed Mrs. Clinton a few weeks ago. "Clearly, the Jackson Hole group is seen as the intellectual brain trust for the managed competition model," said Bob Boorstin, the White House spokesman for the health-care task force. "Given that, they obviously played a very, very strong indirect role in what has evolved into the President's plan."

But, as Mr. Boorstin suggests, the President's plan will be the President's plan. The health-care task force is widely expected to propose some form of managed competition, but one with some kind of cap on overall medical spending. "We don't like it," Dr. Ellwood said, "mostly because we don't think it's practical. You don't get a market started by slapping price controls on it." Is It Enough?

But if the Clinton Administration hopes to control medical costs and provide coverage to the more than 35 million Americans without health insurance, it badly needs savings from health-care reform, and quickly. And the Congressional Budget Office has suggested that managed competition -- like other alternatives -- will take substantial time to produce significant savings.

Helping to meld these imperatives into a coherent policy are Mr. Magaziner, senior White House domestic policy adviser, and Judith Feder, who is coordinating the operation in Health and Human Services. (Both denied requests for interviews through a White House spokesman.)

On the intellectual front, Paul Starr, the Princeton sociologist who won the Pulitzer Prize for his book "The Social Transformation of American Medicine," is closely watched for making the case for a grand compromise. He recently made such an attempt in an article in Health Affairs magazine with Walter A. Zelman, special deputy for health issues to California's Insurance Commissioner, John Garamendi.

Mr. Starr and Mr. Zelman, who are advising the task force, argued that a system combining managed competition with some form of spending limits is the answer.

In fact, many analysts suggested that if Mr. Clinton holds true to form, his health-care policy will almost certainly be the "third way" he so often seeks in truly polarized debates -- not pure Jackson Hole, not total regulation, but something that seeks to meet the progressive goals of making health insurance more affordable and more widely available without utterly dismantling the American system.

For now, however, the Jackson Hole Group is engaging in a little pride of parentage. "We're acting like it's going to happen," said Dr. Ellwood in an interview this week, far from the Tetons, but just a few blocks from the Capitol. **AN IMPORTANT VOICE ON HEALTH-CARE REFORM**

Key participants in the Jackson Hole Group, an ad hoc group that has gathered at the Jackson Hole, Wyo., home of Paul M. Ellwood to develop a plan for health-care reform. The group is considered one of the most important intellectual forces as Hillary Rodham Clinton moves toward a health-care plan. President and founder: Paul M. Ellwood, a pediatric neurologist from Minneapolis who was a pioneer of

the H.M.O. movement and a founder of Interstudy, a health-policy research organization.

**ACADEMICIS:** David M. Eddy, of Jackson Hole, Wyo., an internist with a Ph.D. in engineering/economic systems who knows how physicians make decisions Alain C. Enthoven, a Stanford Business School professor who specializes in the economic side of the American health-care system. Lynn M. Etheredge, a Chevy Chase, Md., consultant who knows government through his work at Office of Management and Budget John E. Wennberg, an internist and Dartmouth Medical School professor with expertise in differences in the frequency with which American physicians order various treatments.

**INSURANCE COMPANIES:** William P. Link, Prudential exec. v.p. James W. McLane, C.E.O., Aetna Health Plans John D. Moynahan Jr., exec. v.p., Metropolitan Life G. Robert O'Brien, exec. v.p., Cigna Michael Stocker, president, Cigna Health Plans Bernard Tresnowski, president, Blue Cross & Blue Shield Association

**DRUG COMPANIES:** Paul Freiman, president, Pharmaceutical Manufacturers Assoc. Charles A. Sanders, C.E.O., Glaxo John L. Zabriskie Jr., executive v.p., Merck

**HOSPITALS:** David Lansky, St. Vincent Hospital & Medical Center, Portland, Ore. Robert R. Waller, chairman, Mayo Clinic

**H.M.O.s:** Leonard Abramson, president, U.S. Healthcare David Lawrence, C.E.O., Kaiser Foundation Health Plan Thomas O. Pyle, former C.E.O., Harvard Community Health Plan

**DOCTORS:** John R. Ball, executive v.p., American College of Physicians Kermit Knudsen, president of American Group Practice Association William Roper, pediatrician, director of Centers for Disease Control and former head of Health Care Financing Administration Geral Sailer, founder of Hettinger Clinic, Hettinger, N.D. H. Denman Scott, senior v.p., American College of Physicians James S. Todd, exec. v. p., American Medical Association

**BUSINESS:** Charles Buck, health-programs executive, General Electric Mary Jane England, a psychiatrist and president of Washington Business Group on Health Marilyn Carlson Nelson, vice chairman, Carlson Holdings, the big hospitality-industry company. Sean Sullivan, president, National Business Coalition on Health

**GOVERNMENT:** Jim Cooper, Democratic Representative from Tennessee. Dave Durenberger, Republican Senator from Minnesota Paul Ginsburg, executive director, Physician Payment Review Commission John Kitzhaber, a physician and past president of Oregon State Senate Ray Scheppach, executive director, National Governors Association Charles Scott, Senator, Wyoming Legislature

**OTHERS:** Alice Lusk, health/benefits group at E.D.S., the data system giant. Glen Nelson, Minneapolis surgeon, H.M.O. pioneer and vice chairman of Medtronic Inc., maker of pacemakers

Photos: Some of the Jackson Hole Group members who gathered last weekend: At left, the founder, Paul Ellwood, in whose home the group meets; from left on couch, William Link (Prudential), Lawrence English (Cigna), Dan Roble (an attorney), Charles Buck (General Electric), David Scherb (Pepsico); behind, from left, James Todd (American Medical Association), Paul Freiman (Pharmaceutical Manufacturers Association), David Lawrence (Kaiser), Robert Hansberger (Voluntary Hospitals of America) and James McLane (Aetna). (C. Pablo Manners for The New York Times) (pg. 1); Steffie Woolhandler of Harvard: managed competition isn't the answer. (John Mottern for The New York Times) (pg. 8)

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