/* The White House has provided a great deal of information which it believes shows the wisdom of their health care proposal. A press briefing held 10/6/93 follows. */

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release October 6, 1993

PRESS BRIEFING
BY
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COUNCIL OF ECONOMIC ADVISORS CHAIR LAURA TYSON,
SECRETARY OF TREASURY LLOYD BENTSON,
SECRETARY OF LABOR BOB REICH,
SMALL BUSINESS ADMINISTRATION HEAD ERSKINE BOWLES

The Briefing Room

1:35 P.M. EDT

MR. RUBIN: I'm Bob Rubin. I'm the Assistant to the President for Economic Policy. As you know, we're here today to talk about health care reform and its relation to the economy.

As the President said in his address to the Joint Session, health care reform is a social imperative, but it's also an economic imperative. And it's a critical and integral part of his total economic program.

I remember when I first was asked to take this job and I started talking to the then President-elect about economic issues, and it was apparent from the very beginning that when he thinks about economic issues his mind immediately, amongst other things, turns to health care. And he views it as inextricably and integrally related to the economic future and health of this country.

Today you'll be hearing from various members of the economic team as to why he feels that way and how we view health care reform in relation to economic growth, job growth, and why we view health care reform as critical to the economic future of this country. We're also handing out -- maybe we've already handed out, I believe, two written pieces; one, the cost of failing to reform health care; and the other, the economic effects of health care reform.

The order of speaking will be Secretary Lloyd Bentsen; then head of the CEA Laura Tyson; Secretary Bob Reich; and head of the SBA Erskine Bowles.

Let me make one very brief comment myself, and my own is a very practical perspective. I remember during the transition we had a health care presentation, and afterwards I turned to Ira Magaziner. At that time he wasn't in charge of health care yet. I said, you know, it's a funny thing. Virtually every SEO that I've spoken to in recent years -- and I'd spoken to enormous numbers of them because I was in the financial service industry before I came here -- has said that escalating health care costs are one of the major problems of their company. Virtually every CEO that I had spoken to -- and as I said, I'd spoken to enormous numbers of them -- viewed the escalation of health care costs as a tremendous impediment with respect to international competitiveness and exports. And exports, as you know, are critical to economic growth -- have been in recent years and certainly will be in the years ahead.

So I had the feeling then, and I've had it evermore since then, that we simply have to get health care costs under control if we're going to have the kind of economic future we want to have. Secondly, there are nonquantifiable aspects of health care security and universal coverage which are of great importance economically. A healthy work force is a better work force. You have lower turnover, lower absenteeism. You can't quantify these things, but they're very important. And, finally, as Erskine Bowles will discuss, there's no question in my mind that when the small business sector focuses on health care reform and understands it, and understands how it relates to their long-term prospects, a great preponderance of small businesspeople will be in favor of health care reform.

With that, let me turn the podium over to Secretary Bentsen. What we'll do is go through all our speakers first, and then when we're finished, we'd be delighted to take questions.

Mr. Secretary.

SECRETARY BENTSEN: Thank you very much, Bob.

The message this afternoon is really quite simple. The long-term health of our economy is absolutely dependent on health care reform. Now, we're going to have the economic effect on jobs discussed by Bob and Laura later. And, also, they'll be discussing what happens if we don't have health care reform, how that affects the economy. And Erskine will be talking about how it affects business.

Now, let me say just a few things. We have the most wasteful health care system in the world. You've heard the numbers. We're spending now 14 percent of our gross national product on health care. Our major competitors are spending six to nine percent, and we're no healthier. And not only do the other countries spend less, they cover everybody. We're the only major industrial nation that does not provide full universal health coverage.

Thirty-seven million Americans without health insurance. And that number is continuing to grow. But don't kid yourselves. You're paying for every one of those uninsured. When CBS, NBC, ABC, CNN or any business that pays insurance gets the bill at the end of the month, they're picking up the tab for that uninsured parent who takes that child to the emergency room at the hospital at the last minute. In Texas, I know of one hospital that has $42 million worth of uncompensated care.

Well, they're going to pay for it, alright. You're going to pay for it. And you're going to pay for it right through the nose, in increased costs for surgical care, anesthesiologists, the beds, the hospital rooms.

One other point. We're hurting wages. If health care had remained the same share of employers compensation to the employee from 1975 to '93, the average American worker would get an annual $1,000 pay increase after taxes, with no extra cost to the employer or to the business. If current trends continue without reform, real wages may be further reduced by $600 per year by the end of this decade. So we have to fix it. We have to stop that cost-shifting. We have to cut the waste, and we have to restructure the system so that the resources are used more efficiently. And we have to bring some competition into health care.

And with that, let me turn it over to Dr. Tyson.

DR. TYSON: Thank you. I think it's important to begin a discussion of the economic effects of our health care plan with a simple fact: Most American companies, even most small American companies, already provide health care coverage for their employees. For most of these companies, the Clinton plan will ultimately mean lower costs, not higher costs, for the same or better benefits for their employees. So this is the starting point. This is where we begin.

Most American companies provide it already; even most small American companies provide it, and the plan will ultimately lower cost for most American companies while providing better benefits for employees. That's the reality.

There have been allegations from critics of the plan that it will cause net job loss because it involves an employer mandate, meaning that firms who are not currently providing insurance will need to contribute to the insurance for their employees. Certainly, for those firms who are not currently providing, the result of the plan will be an increase in costs. We have taken that into account by designing a very generous discount scheme, particularly designed to help small firms and low-wage firms deal with the additional cost of providing the coverage that will be required. But many more firms will actually see their health cost situation improve over time, especially those small firms who are currently already providing.

And remember I said the majority of small firms already providing. They are paying something on the order of 35 percent more for health care coverage than their big firm competitors. For these small businesses, our plan actually will mean an unexpected windfall. And there are many small businesses out there, according to some surveys, as many as two-thirds of small businesses currently not providing insurance would like to provide insurance. It's not that they don't want to, but given the way the insurance market is currently organized the costs are simply impossible for them to bear. So for many small companies who don't provide insurance, we're going to offer them an opportunity to provide insurance in an affordable fashion with discounts from us, and to thereby attract more talented workers than they might otherwise be able to attract because they currently cannot afford to offer health care insurance.

So, overall, our plan is a bonus to the business community and will level the playing the field in the business community; will level the playing field between small businesses that currently provide and those who do not currently provide, and between small businesses who provide and pay a whole lot right now and their large business competitors who are getting better rates.

Now, because of all these beneficial effects it's important to emphasize that there are many aspects of the plan that we believe will tend to encourage employment over time. Remember the critics have emphasized the idea that this may discourage employment. There are many factors in the plan that will encourage employment, because the majority of firms will see a cost improvement over time and they can respond to that cost improvement in a variety of ways: They can offer their workers higher wages. They can employ more workers. They can see higher profits. They can invest more. They can lower prices for their customers. There are lots of ways that firms can respond to cost reductions.

We believe that some of that response will be an employment response. Much of it will be a wage response. But the models that exist don't allow you with any precision to distinguish which response will be the dominant response. The basic point again is that most American businesses will enjoy cost reductions, and that will, of itself, tend to encourage employment opportunities and higher wage employment opportunities.

Second, the plan will certainly generate an increase a net employment in the health care sector itself. We estimate that early on, by 1996, there should be a net increase in the range of 400,000 workers in the health care industry. As cost savings begin to accrue in the health care industry we will see a slow-down in the rate of growth of employment in health care, but never an absolute fall. What we are doing here is we are shifting resources into the health care sector up front and then slowing down the rate of increase over time. So the net effect on employment and health care should be positive in the short run.

Another aspect of the plan which encourages both employment and mobility deals with the phenomenon of job lock and the incentives for workers to switch jobs or to start a new business on their own. We currently have a situation in which an estimated 30 percent of the work force have indicated that they feel locked to their jobs because of the fear of losing continuous health insurance should they change their employment choice, or feel they cannot begin a new self-employed activity because self-employed individuals have to pay exorbitant nongroup insurance rates and don't get full tax deductibility of their health insurance premiums. So we are going to make the work force more flexible, reduce job loss and increase the opportunities for people to start new self-employed activities.

The plan will also reduce welfare lock. We have welfare families who would like to leave welfare and go to work. But if they leave welfare and go to work, they will lose their Medicaid benefits. That is a very serious deterrent to moving people out of welfare. So by reducing welfare lock, we will, in fact, encourage a growth in, or a movement out of welfare into the work force.

Now, when you think of all of these effects, you reach the following general conclusion. There are many aspects of our plan that tend to encourage employment over time. There are some aspects of the plan that tend to discourage employment, and there are certainly aspects of the plan that tend to change the composition of employment.

We've spent considerable time going over the plan, analyzing the plan very carefully, looking at all of the existing models out there for assessing these effects. We concluded that the models are highly imperfect. There is no model out there which can incorporate all of the pluses. None of the models actually incorporate any of the pluses that I mentioned in assessing the employment effects.

So by doing an analysis, we've concluded the net effect on employment is likely to be very small. But you're going to have some positive employment-generating effects, you're going to have some negative employment discouraging effects. The net effect on employment is likely to be very small.

Moreover, it is true that over time, those factors which would tend to encourage more employment will strengthen, and those factors that would tend to discourage more employment will weaken. So, over time, the calculus moves more and more in the direction of net job creation. Our position is the net effects are likely to be small.

Now, having said that, let me address the issue of why there are some studies out there, estimating losses in the range of 3.1 million jobs. We view these studies as flawed for a variety of reasons. First of all, they're just erroneous. They are based on errors about our plan. They do not take into account our subsidies, they overstate what the premium costs of our basic benefits package would be. They don't take part-time workers and treat them the way we would treat part-time workers. So they've just got some errors in their analysis.

They also make some technical economic assumptions which we find to be unreasonable, inconsistent with the existing economic literature. They overestimate how sensitive firms are in their employment decisions to a change in employment costs. Those are parameters that economists use all the time. They chose, instead of estimates that we don't -- we think are unreasonable.

And, finally, and most profoundly, the models that are being used out there simply do not incorporate any of the beneficial effect on employment that I've already listed for you -- welfare lock, job lock, the effects on the majority of firms will see a reduction in their costs, and the fact of a net increase in employment and health care industry itself. Those effects are simply not in the model.

So we really -- although we, ourselves, believe that the employment effects are likely to be small, we are certain that these very large numbers are just wrong, and they're wrong for all of the reasons I suggested -- technical failures, economic assumption failures, and the failure to take into account the plus sides of our plan.

Finally, let me just end by emphasizing that employment is not the only standard by which the health care plan should be evaluated. It is a standard, but it is not the only standard. We want to worry about the security and health of the American work force, because to do that will give a more productive, more flexible American work force, and ultimately, productivity and flexibility determine high wages.

So the wage opportunities we can offer our work force over time depend upon how secure they are and how healthy they are. Secondly, we are addressing inefficiencies, very large inefficiencies in one-seventh of the national economy -- the health care sector. If we do nothing to reform health care over the period 1993 to 1996, 40 percent of the growth in our per capita GDP will be gobbled up by health care spending. And even with that, the number of uninsured will rise, and even with that, we will continue to lag behind the other advanced industrial countries in terms of indicators like life expectancy and infant mortality. So something is wrong with the health care sector.

To reform, to make one-seventh of the economy more efficient presents a tremendous boon to the rest of the economy. Because, ultimately, our living standards depend upon being productive and using our very scarce resource very efficiently. So we have to reform the health care sector to do that. That's another way we'll get higher living standards for all Americans. Thank you.

SECRETARY REICH: Let me try not to repeat what Laura said, and to provide a little bit of a conceptual framework with regard to the kinds of job issues. There really are four separate job consequences with regard to any health care plan. One of the consequences has to do with competitiveness. And it was mentioned already, but let me mention it again in the context of the international economy.

American firms are now burdened in a way that most other firms and most other nations are not. American firms have a huge health care cost -- over $200 billion a year and rising very, very rapidly. That means that the cost per product in the United States is apt to be much higher than the cost per product emanating from another country. That makes us less competitive. When we get health care costs under control, we are making American industry more competitive. When we get health care costs under control, we are giving American industry, in effect, more money with which to invest, to provide higher wages, to generate more jobs. And that competitiveness effect should not be underestimated. That may be one of the most important consequences of all. That's category number one.

Category number two has to do with the jobs that are moving into health care and moving out of the number of individuals who will be moving into the job market and also out of the job market.

Specifically, reference has been made to job lock and welfare lock. Undoubtedly, there will be many people who, right now, feel that they cannot get the kind of job that they want or are entirely qualified for a much better job than they now have, should be able to move on to higher responsibility, but are unable to because they fear that if they lose their present job, they will lose their health insurance. That is job lock.

If we eliminate that kind of job lock, we improve the allocation of labor in this country. We create a better match between what people are able to do and where the jobs are.

Welfare lock has already been alluded to. Many people are on welfare, they would like to get off welfare, they would like to join the job market. They can't and won't because they are so afraid of losing their health insurance.

Number three, there are individuals, and there may be quite a few, who would like to start their own businesses, who would like to leave perhaps large businesses, start their own, but again, fear of losing their health insurance, difficulties with regard to affording health insurance on their own prevent those small businesses from forming.

And number four, on the other side you have potentially early retirees, people who would be moving out of the job market in an earlier time than they are now in the job market because they have access to health insurance. They're afraid now to leave because they don't want to lose the health insurance that is provided by their companies.

So these are the employment effects in terms of people coming into the employment force, people coming out of the employment force.

The third category has to do with actually occupations, the kinds of occupations that will be created and the kinds of occupations that will be stopped or eliminated or reduced. Undoubtedly, the purpose of much of this plan is to reduce paperwork. We have in this country now a fairly sizable paper health care industry. A lot of people in insurance, clerical workers, people who are putting data into computers and taking data out of computers, who are monitoring forms. This does not generate health care. This generates the monitoring of health care. These jobs would not grow as fast; in fact, many of these jobs may be eliminated.

On the other hand, you have in the health care industry itself in terms of the provision of health care many, many more jobs. It is likely, for example, that the home health care industry is going to grow dramatically. There's reason to believe that it's quite inefficient to have a lot of people in hospital beds who are now in hospital beds. They could do much better at home. If the incentives were correct, they would be at home. They would be at home attended to by home health care workers, and that cost would be cheaper than keeping them in hospital beds. It's likely that, for example, the occupation of home health care worker will increase substantially.

And finally, the fourth category, low-wage workers, workers who are at the bottom of the income scale. We have tried to arrange the discounts, we've tried to arrange the costs to employers in such a way that any negative employment effect for those very low wage workers right at the minimum wage would be eliminated, or if not eliminated, almost eliminated.

Remember that we're talking about, at most, 35 cents per hour; more likely, for the minimum-wage worker in the small firm in the range of 15 cents an hour. If you add that to the minimum wage you're not even back to what the minimum wage was in real inflation adjusted terms during most of the 1980s. Thank you.

ADMINISTRATOR BOWLES: I think the economic information that we've heard here today simply reflects what I've heard as I've traveled around the country over the last several months talking to literally thousands of small businesses. And that is that these small businesses, the vast majority of them, will absolutely experience a much lower cost of their health care and be able to provide the same or better coverage. So it really is a twofold benefit that's reflected in these numbers that are presented today.

Not only will the small businesses have lower cost and, therefore, be able to redirect those scarce capital dollars into being able to go out and hire new employees and make capital expenditures and grow their businesses, but also they'll be able to have a happier, healthier, more productive -- and the key word is more productive -- work force. So it's a real double benefit for small businesses from the health care plan.

I should add that it's hard for me to imagine that you can design a system -- or I should say a nonsystem -- that is more anti-small business than the current nonsystem this country is operating under. Today, small businesses experience annual increase in cost of health care of 20 to 50 percent a year. Small businesses today pay 35 percent more for the same health care coverage that big business does -- 35 percent more. And the rate of increase in the cost of health care for small businesses is 50 percent higher than the rate of increase for big businesses.

And what are small businesses -- what are we able to buy for these skyrocketing increasing costs? Almost nothing. We end up being able to buy or afford a very bare-bones plan or something where the deductible is so high that all we end up having is just catastrophic coverage. And we're also subjected to all of the other abuses in the health care industry -- everything from occupational red-lining to exclusions for preexisting conditions.

And as I talked to small businesses, I heard over and over again that they had tried on their own everything they could to hold down the cost of health care. They tried switching programs. They tried managed care. They tried self-insurance. They tried reducing benefits, passing on a bigger cost to their employees. Nothing helped. The cost of health care continued to escalate and the abuses remained there.

And let me just reaffirm what Secretary Bentsen said: Without universal coverage, believe me, there is no cure for the small businessperson, because the uninsured will continue to get health care, but they'll simply get it at the hospital at four or five times the cost it would be at the doctor's office. And who is that cost shifting on the back of? It's shifting on the back of a small businessperson who's paying 20 to 50 percent more a year for their health care cost.

The President's plan really does do a lot to help small business. The key thing it does in my opinion is it really -- it shifts the power of the marketplace. It changes the supply and demand equation in favor of the consumer and the small business owner and away from the provider and the insurance company. It really does; it shifts the power of the marketplace. It gives us some control over our destiny.

And this plan also gives small business for the first time what they've really looked for -- it gives them a chance to go out and buy rock-solid real insurance, comprehensive coverage, coverage that is just as good as that offered by most Fortune 500 companies -- not a bare-bones plan, not just catastrophic coverage, but real insurance.

And the other thing it does is it makes that insurance affordable. That's why the President fought so hard for the caps and subsidies there, to hold down the cost of health care so it would be affordable to small businesses. And the mechanisms are built in there to hold down the cost of health care so it doesn't grow at 20 to 50 percent a year. And the system prevents the kind of abuses of occupational red-lining and exclusions for preexisting conditions. And it finally puts the self-employed on a level playing field with everybody else, where we get a 100 percent deduction for our health care costs instead of a 25-percent that's fair today. And the last thing it does, it controls the cost of worker's compensation insurance, which really is the only item on most small business' income statements that are escalating at a greater rate than health care cost.

I do believe that when most small businesses that I have talked to lay this plan side-by-side with their current plan, what they all say, almost without exception, is they see lower cost and they see better coverage. This plan is good for small business, it creates jobs, and I'm excited to have a chance to support it, also.

Why don't we do this in the interest of order? I'll call on people, then we'll just refer the questions to whoever feels best equipped to answer them.

Q Did Congressman Cooper send over his plan for your perusal? What do you all think of it, and can you pass anything without the four dozen votes that were already behind him in the house?

SECRETARY BENTSEN: Well, I think Congressman Cooper's plan certainly contributes to the debate in a meaningful way. But it has some serious problems. One of them, it does not have universal coverage. And as Erskine was just saying, you're going to see the cost-shifting take place, and you'll see small business bear the brunt of it. And they will have, themselves, higher costs continuing. So universal coverage is an essential. It is not there in that one.

Another one is that they don't have the benefits defined. That is done later by some national board. And it's important that you know what you're getting before you vote on it and what kind of coverage you're going to have.

I would say the third problem with it is the cap that's put on the plan, the tax cap. And what you would see is a lot of the major companies that have full coverage would be cutting back insofar as that coverage, and I think that is a serious flaw in the system.

Q Dr. Tyson, you said that you're not prepared to offer specific estimates on the employment impact, but you know there are short-term impact of net jobs created of 400,000?

CHAIR TYSON: That was in health care.

Q Right. Can you offer how you got to that math? And how useful is that number if the Clinton plan really isn't phased in by '96, in any real meaningful way?

CHAIR TYSON: The number was purely within one sector of the economy, so it's not an economy-wide number; I want to make that clear. That was one thing that these standard models have not taken into account, is what might happen to overall employment in the health care sector. That does assume that there is phase-in at that time. So if the phase-in changes, then the dynamics of additional job creation in the health care industry are sensitive to the timing of the phase-in. That is exactly right.

Q Could you walk through some numbers of how you got to this?

CHAIR TYSON: That was an estimate that takes into account a projected reduction in the insurance clerical work associated with the administrative cost simplification, and then also takes into account increases in other providers.

David, what's the source -- David told me the source of the number, but what is the source of the number? Bureau of Labor Statistics, right. So this was looking at projected growth in health sector employment -- various parts of health sector employment done by the BLS, and then making adjustments in those projected growth rates for health sector employment to take into account the anticipated reduction in administrative and clerical on the one hand, and the anticipated increase in home health care nurses and other practitioners in the health care industry.

So it wasn't a precise modeling exercise in the sense of sort of running a series of regressions, it's looking at a set of baseline projections, and then adjusting those baseline projections based on what we anticipate to be the effect of administrative savings on the one hand, and increases in provider services on the other.

Q On the same issue, you are saying that your economic models can't capture many of what you think are the benefits, the economic benefits this plan would -- why shouldn't a listener or reader take that as evidence of what many say as their greatest fear about this plan, which is that it is just so large, it is so large economically, that things are going to pop out somewhere? Is that the reason why your model can't take into account the --

CHAIR TYSON: The reason why the models -- models are not designed to do what they need to do. That is, let me just give you a contrast. We did -- the CEA did, and the administration did make a prediction of the employment effects of the economic stimulus package, for example. Now, how did we get that? There are models out there that have been estimated over several decades whose sole purpose is to say if you change a tax policy or you change a government expenditure line, what happens to GDP and what happens to employment? There are economy-wide models. You don't have to know anything about different kinds of firms, small and large, and which firms are getting an increase and which firms are getting a decrease. You don't have to go down into firm level differences and firm level differences in response.

So it was simple to do that exercise. There isn't any model out there which allows you to distinguish, to make the kind -- the list of distinctions that I have made here today, which is to take into account welfare lock and job lock and changes within the health industry and changes for those firms who get cost reductions. We have to sort of make a set of assumptions on how they respond. And for those firms who get a cost increase, we have to make assumptions about how they will respond. And, ultimately, I think the exercise becomes one of using incompletely specified models and sets of assumptions to generate numbers. And my sense is --

Q Can I follow up on that?

CHAIR TYSON: Sure.

Q If you have this problem with employment, with models of employment. You also have it with models of insurance behavior, retirement behavior and various other things that the plan makes specific claims about. Should we have as many doubts about those numbers -- numbers, for example, that Mr. Magaziner --

CHAIR TYSON: All right, here's the thing. Each of -- for example, on the issue of utilization, for example, there is a very good study, the Rand study, which is widely used as a standard to predict how people will -- how utilization rates will respond. It was designed specifically with that question in mind. The question is, how does the utilization rate respond to a change in coverage. Okay? So there are studies out there which think about what affects retirement behavior. Okay? They are designed specifically to ask that question. So I think you can get much more specific, precise answers with narrowly specified questions.

When you get to the economy-wide impact on employment of a plan which has a variety of offsetting effects, then you don't have the model that's precisely designed to answer that question. It's really a difference. We have models that address precisely the kinds of questions we needed to address to come up with specific estimates.

Q What is the small effect that you're talking about. A small loss, at what year, 2000?

CHAIR TYSON: You can generate --

Q A small change?

CHAIR TYSON: You can generate both kinds of numbers. Notice -- let's just give you an example -- which is why I think to give a number is to sort of provide false precision. The numbers are speculative, because you could, for example, make an assumption about how small firms will -- firms might respond to an increase in their costs by adjusting downward their wages and not changing their employment at all. And the firms who benefit could respond by increasing employment and not giving any wage benefit. That kind of run will generate a net positive number. It will be small, but you get a net positive. You could do -- you could play the assumptions another way. So our position is the net effect is small, the effects that tend to increase employment strengthen over time and the effects that tend to decrease employment weaken over time.

Q What's the range that the models show?

Q What is small?

Q What's the range? If you have parameters, what are they?

CHAIR TYSON: Well, I can suggest to you that the range is probably less than half a percentage point of employment.

Q Up or down?

CHAIR TYSON: Up or down. But I'll tell you that I do not feel that it is appropriate to speculate on the number because, as I've just pointed out, any number is speculative and I can generate a number for you on either side.

Q No one has said anything yet about inflation. Can you talk a little bit about those percents?

MR. RUBIN: Laura, I think, would be the appropriate person to do that. But let me make one comment if I could on the comments that Laura was just making. She was referring to the models and how economists approach this. I'll go back to the pragmatic comment I made at the beginning of this. And I do think if you've been in this world for a while, when you're dealing with economists, you're dealing with business people and you have to make judgments of what's going to happen. You sort of weigh the both. I think if you ask most people, almost all people who run big companies what they think, I think they'd give you an answer that's based more in viscera than it is on anything that an economist can document. And the viscera is that escalating health care costs have been an enormous problem with respect to international competitiveness and they simply have got to be gotten under control if we're going to be competitive in the international world and have the exports we want to have.

CHAIR TYSON: What was the question?

MR. RUBIN: It was some question related to inflation.

Q Can you tell us a little bit about whether this plan and , for example, pumping up the health care sector temporarily will have inflation effects on the rest of the economy?

CHAIR TYSON: The problem with that question is that in a way it's another side of the same question, because firms can do a number of things when faced with a change in their health care costs. They could try to -- firms that have higher costs could try to increase their prices. Firms that have lower costs might very well decrease their price. They might not, they might increase their wages, instead. So it is very hard, again, at the economy-wide level because there are such differences across firms to really predict what the effect on the overall -- the economy-wide effect would be. It's the same question sort of looked at a little differently.

Q Have you got a range that you can give us, a range on the inflation, upper or lower, as you've done generally for the employment numbers?

CHAIR TYSON: Well, I'm sure we could. But my sense is that, again, I feel that you should use numbers when you believe the numbers can be defended with precision. But we're in a situation here where we don't have the modeling capabilities -- not just us, incidentally, nobody has the modeling capability to really get a precise estimate of these effects. People will try to estimate them, but I think that the correct position is that there are no precise numbers on this, but that there is every reason to believe that the net effect will be very small, because you have a lot of factors working in one direction, offsetting some factors working in another direction.

Q Given the imprecision, what effect does this have on your deficit reduction prediction of $91 billion? How firm is that number as far as the result of health care reducing the deficit --

Q As well as your -- increased revenues for Treasury.

Q Yes. I mean, doesn't this have a peripheral effect on all these so-called firm numbers that are in your plan?

SECRETARY BENTSEN: Well, once again, you have the same problem that she's been discussing, is not having a precise number at this point. And what we're doing, we're scrubbing the numbers. We've gone so far as even to hire outside actuaries, outside estimators to try to be sure that we have total objectivity in it, and to be certain that these numbers aren't tilted, that they're the best numbers we can come up with. We've got them working on through the night in Treasury, and I know OMB does, as we try to bring these about. But I can't give you a precise number at this point.

Q Mr. Secretary, how do you end up with, for example, revenue numbers that -- increased revenue numbers that require the economy to behave in certain ways? If you can't predict the economy, how are you going to predict these revenue numbers, or the deficit number?

SECRETARY BENTSEN: I didn't say we couldn't predict them. I said we're still working refining them. When you take one facet of it, you can do it with laser precision. But then, when you get to the interaction of those things, that's much more difficult, and that's what we're trying to resolve.

CHAIR TYSON: Can I say something about this? I really think that -- think about the situation here. Plus or minus half a percentage point of total employment is basically in a rounding error -- it can be a rounding error for a monthly employment number. That's the size we're talking about here -- a rounding error for a monthly employment number. We can get the economy-wide effects on tax revenues, and we can get the economy-wide effects associated with subsidies with that kind of rounding error. The main point is, this effect is small. It is a small net effect. So we're pretty confident, quite confident that we can get the economy-wide predictions that will give us what we need to make deficit predictions and revenue predictions. We're talking about -- just a rounding error in a monthly employment number.

MR. RUBIN: Hold on one second. We're going to take one more question. The President is going to do an event in about five minutes, and that apparently preempts us.

Q Secretary Reich, you said early retirees or people who want to retire are now holding back from retiring because of the lack of health care. If universal health care coverage is available, how many more people do you think would be encouraged to retire, and what kind of savings are we talking for corporations that now provide health care benefits for early retirees and regular retirees?

SECRETARY REICH: The range we are dealing with is 350,000 to 600,000. But, again, I want to emphasize that we are scrubbing those numbers and working on those numbers at this very time. And those numbers, like all the other numbers, are subjected to and should be subjected and will be subjected to not only a great deal of review, but depend on the interaction of many of the other factors that we have talked about before.

Q When you say you're scrubbing the numbers, how much could they go up or down?

SECRETARY REICH: At this point, I don't know. I think that that's the rough magnitude. But we are reviewing the numbers at this very moment.

Q   to 600,000 people. What about the cost savings to companies?

SECRETARY REICH: And again, at this point, we don't have a firm number. We're reviewing those.

THE PRESS: Thank you.

END2:19 P.M. EDT