

Stayin' Alive

The inside story of health care reform's near-death experience.

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IN EARLY JANUARY, most of Barack Obama's senior staff assembled with the president-elect for a meeting inside a windowless, eighth-floor office at the transition headquarters in Washington. It was a pivotal moment in Obama's transformation from candidate to commander-in-chief. Obama's advisers had taken all of his campaign pledges, factored in his promise to reduce the deficit, and put together a provisional blueprint for governing. For the first time, Obama would get a sense of how his proposals fit together in the real world.

Obama sat in the middle of a rectangular table with the budget projections in front of him. He said he was mostly happy with what his advisers had produced. Investments in energy and education, plus real progress on reducing the deficit—it was all in there, Obama noted. But then the president-elect turned to his one major concern: a key item that was not, in his opinion, sufficiently funded. “Here’s my guidance to you,” one participant recalls Obama saying to the group. “Protect health care.”

It wasn't the first time that health care had seemed to get short shrift from Obama's advisers. Nor would it be the last. Indeed, there were moments during the transition and the early weeks of the administration when it appeared that the push for comprehensive health care reform might collapse before it had even begun. During this time, a debate raged inside the administration, with some senior officials arguing that the new president should wade into health care gingerly—or even postpone it altogether—because it would cost too much, distract from other priorities, and carry huge political risks.

Ultimately, however, these arguments failed to carry the day, and health care reform, against what occasionally seemed like long odds, managed to find a sizeable place in Obama's budget. The story of how that happened—as conveyed in interviews with more than a dozen administration insiders representing a wide variety of viewpoints—provides a window onto the political and personal dynamics that dominate the new White House. It also offers insights, some of them surprising, into the management style of the president himself.

THE DIVIDE AMONG Obama's counselors was never over whether to pursue health care reform or even what it should look like in the end. Pretty much every top official serving in the administration believed that health care reform was a worthwhile project—and that the goal should be to give everybody insurance while making steady progress on reducing the cost of medical care. What divided Obama's team was the question of how to pursue reform—in particular, how quickly.

That tension stretched back to the campaign, when Obama's political strategists advised him to soft-pedal the topic. One of them was David Axelrod. Although personally acquainted with the flaws in our health care system because of his disabled daughter, he also understood public opinion: The middle-class voters whose support politicians covet were worried about the cost of insurance, but their enthusiasm for universal coverage seemed shallow. Obama, though, always insisted

on keeping health care prominent in the election. “He said, ‘I want to do health care as president,’” one senior adviser paraphrased, “‘and I can’t do health care if I don’t talk about it during the campaign.’”

The commitment was not just rhetorical. Behind the scenes, Obama had told former senator Tom Daschle to prepare for a prominent role in shaping his health care agenda. Daschle began reaching out to various players in the debate, in order to lay the groundwork for a legislative push in 2009. Shortly after the election, Obama formally tapped Daschle to become both secretary of Health and Human Services and head of the newly created White House Office of Health Reform. During a December meeting in Chicago, Obama affirmed his interest in moving forward on the health care plan he'd touted during the campaign. But, while Daschle shared that goal, others had doubts. Axelrod's anxiety hadn't dissipated since the election. And now he had a new ally in Larry Summers, whom Obama had appointed to head the National Economic Council. One concern for Summers was the diversion of presidential and staff attention from other issues, like the economy. Mostly, though, Summers worried about money. Experts generally believe it will take years before better use of information technology, more preventive care, and other reforms start to yield serious savings. At least in the short run, health care reform is therefore likely to add to the government's financial burden—during a time of rising deficits. This made Summers uncomfortable.

Peter Orszag, director of the Office of Management and Budget, was more openly enthusiastic about pursuing reform. Health care had become an obsession for Orszag in his previous job as head of the Congressional Budget Office. Via speeches, op-eds, and, most famously, his own blog, he never missed an opportunity to tell people that the country faced a long-term fiscal crisis—not so much because of Social Security, as was commonly assumed, but primarily because of Medicare and Medicaid. The most sensible way to get a handle on those programs, Orszag said, was to get a handle on all medical costs, public and private—something best done in the context of a sweeping reform that also extended coverage to all Americans.

Still, Orszag shared Summers's growing worries about the deficit—and wondered, in addition, whether too much deficit spending would alienate moderates on Capitol Hill. As a result, he urged that any health care reform pay for itself, or at least come as close as possible. The trouble was, finding that revenue within the health care system meant raising taxes on insurance or services, or enacting substantial cuts to Medicare and Medicaid—moves sure to spark intense political opposition. (Another key player with similarly complex views was Treasury Secretary Tim Geithner, a deficit hawk who also backed ambitious moves on health care.)

It was amid these conditions that the debate over the budget got underway. A series of formal and informal discussions unfolded in the White House and outside it, and Obama was not present for all of them. Particularly in Obama's absence, the voices of the skeptics often predominated. “It was scaring the hell

out of the rest of us,” says one of the advisers who favored more aggressive action.

And health care, in the end, might have gotten pushed aside—except that one very senior official in the administration kept insisting that it stay on the agenda. That official was Obama himself. Repeatedly, the president made clear that he was not abandoning health care reform. There was the meeting in early January where he expressed disappointment with the budget numbers his advisers were showing him. And there was the Sunday after the inauguration, when Daschle found himself in the White House to meet with Rahm Emanuel. Daschle had requested the get-together in order to clarify the president’s intentions on health care. During the meeting, which took place in Emanuel’s office, Obama himself stopped by and reiterated to Daschle what he’d been saying in public: He was doing health care this year.

INCREASINGLY, the debate was zeroing in on a specific question: How much money should the administration devote to health care in its budget proposal? This was related to, but not necessarily synonymous with, the question of whether to attempt health care reform in the immediate future. Some advisers who wanted to move ahead quickly with reform still felt that it was a strategic mistake to broadcast this intention so brazenly in the budget; better, they argued, to deal with the funding details later in the year. Others thought it essential to include substantial money for health care in the budget, in order to send a signal to Capitol Hill and interest groups, particularly conservative ones that had expressed qualified support for reform but would bolt the second it seemed the president had stopped focusing on the subject.

At this point in the debate, Daschle’s situation became a complicating factor. The former senator was already struggling to assert himself because he had been spending a lot of time out of town in order to be at the bedside of his ailing brother. But now the controversy over his late tax payments began to distract him and his staff; eventually, he was forced to withdraw from the administration altogether. In the immediate aftermath, it wasn’t clear who would speak for the Office of Health Reform—or whether the Office of Health Reform would even exist.

The conversation about whether and how to fund health care in the budget went around and around, with the president himself frequently expressing ex-

asperation at the difficulty of putting together an intellectually honest proposal that was also politically viable. (A photo on the White House website, in which Obama is leaning back in his chair, looking up toward the ceiling with apparent frustration, comes from one of those meetings.) “There was no aspect of the budget that the president spent more time discussing,” says one senior adviser, noting that it was the primary topic in four of the seven budget deliberations that Obama personally attended.

But, whether officials convened with the president in the Roosevelt Room or gathered without him in Orszag’s office, the consensus among them seemed to be moving away from a large, showy investment in health care reform. At one meeting late in the process, Obama asked his advisers which ones believed it made sense to include health care in the budget. Only one person raised a hand: Mark Childress, who had been Daschle’s chief of staff and had assumed the duties of speaking for the health team after Daschle left.

One trademark of Obama’s management of these meetings was to encourage dissenters. This instance would be no different. Obama asked Childress to make his case—to “channel” Daschle, as the president put it. Childress obliged, suggesting that a failure to include health care in the budget was tantamount to conceding it as an issue for the next two years. Obama nodded along—although, just like in previous sessions, the meeting broke up without a decision.

By the end, the debate had coalesced around three options: investing around \$1 trillion over ten years, offset by new revenue and some substantial reductions in Medicare and Medicaid spending; investing a slightly lower amount, in the neighborhood of \$600 billion, which could be offset by more modest revenue increases and reductions in Medicare and Medicaid; or putting aside just \$300 billion, offset mostly by changes to Medicare and Medicaid. A final decision wasn’t made until Friday, February 13, as a deadline for setting the budget loomed. Rejecting the \$1 trillion proposal, because the offsets it required seemed too severe, Obama went with the \$600 billion option—\$634 billion, to be precise. The sum wasn’t enough to finance universal coverage; an actual package could cost \$1 trillion, if not more, according to many estimates. But Obama decided simply to note that fact and promise to work with Congress on finding the extra

money—in a nod to the fiscal concerns of Orszag and Summers. Strategically speaking, this approach was consistent with the widely accepted lesson of the health care battle of 1994—that the Clinton White House should have let Congress take more ownership over the process.

Even after the budget proposal was set in type—literally, since it had to be run through the Government Printing Office—one issue remained: the language in Obama’s late February address to Congress. An early draft of the speech stated that Obama would seek health care reform “this year,” which later became a phrase about not permitting “another year”

to go by without health care reform. A subsequent draft contained a tiny but significant tweak: “another year” had somehow become “another presidential term.” It’s not clear who made the change or why, but, after some phone calls and messages, the words “another year” were restored.

WAS ALL THIS the right decision? Only time will tell. As pleased as it has left advocates of health care reform—this writer included—there were defensible arguments for every option Obama’s advisers presented. At a time when the economy is collapsing, perhaps Obama can’t afford the distraction of such a major policy effort; at a time when the government is pumping out so much money for other priorities, perhaps it’s foolish to incur a new obligation that, if carried out by the book, still may not pay for itself in under ten years. And, even if it makes sense to seek health care reform this year, Obama’s decision to allocate health care money now could make the budget tougher to pass—inviting an extra political fight that might make reform even harder to achieve.

Whatever the fate of health care reform, though, the debate does tell us something about the way Obama plans to manage his presidency. Obama has long struck many observers as an extremely cautious politician, and his handling of the banking crisis and the economic stimulus bill has tended to reinforce that perception. The trajectory of the health care debate inside his administration, however, suggests that Obama is not always as cautious as he might seem. He can think big. He can take risks. And he can bring his advisers to him—rather than the other way around. ♦



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