CRC
CAPITAL RESEARCH CENTER

Foundation Watch

How Liberal Activists Passed Obamacare

By Philip Klein

***Summary**: Supporters of national healthcare did not get the single payer system they wanted or even a "public option," and they get no thanks from the public which wants to repeal the new healthcare law. So why are liberal advocacy groups so pleased with themselves? Because they still helped pass a bill that brings America one step closer to socialized medicine. (This is the third article in a three-part series on Obamacare. The first and second installments appeared in the May 2010 edition of* Labor Watch *and July 2010 edition of* Organization Trends, *respectively.)*

Obamacare boosters: AARP Executive Vice President Nancy LeaMond (left) and Ron Pollack (right) of Families USA at an Obamacare event in December 2009.

Liberal policy analysts and political operatives had 15 years to figure out why they failed to pass a national healthcare reform bill during the Clinton administration. As soon as their effort collapsed in 1994, they began preparing for their next crack at the bat. After the Democratic Party retook control of Congress in 2006 and won the White House in 2008, the left-liberal think tanks and advocacy groups and their media supporters began crafting a political strategy to achieve their long-sought goal. This time they would build grassroots support to pressure Congress into passing legislation.

In one sense, the effort failed. Despite spending tens of millions of dollars on advertising and activism during 2009-2010, liberals were unable to convince the American people that Obamacare was a good idea. In fact, even after Congress passed the national healthcare bill and the president signed it into law in March, the public opposed it and doubted the claims the administration is making for it. A Rasmussen poll as recently as last month shows a majority of Americans believe the healthcare law should be repealed. In the battle for public opinion, the ad hoc opposition groups that opposed healthcare reform—now called the Tea Parties—outhustled the liberal activists who spent years organizing their battle plan.

Still, the Obama administration has enacted healthcare reform into law, and liberal activist organizations played a key role in its victory. By focusing so much effort on the fight for a

August 2010

CONTENTS

government-run plan—the so-called public option—liberal groups moved the debate to the left. Time after time they pressured Democrats to make the healthcare campaign a top priority. Even a recession and rising unemployment did not deter the activists, who saw the economic crisis as a public policy opportunity. The end result was the enactment of the most ambitious social welfare program since Lyndon Johnson's Great Society.

In 2004, John Kerry didn't think it necessary to offer a universal healthcare proposal when he ran for president. Four years later, however, all of the leading Democratic presidential candidates unveiled their own plans. This dramatic shift was no accident. With Democrats in control of Congress after the midterm elections and poised to retake the White House, liberal activist groups wanted to make sure that the party adopted a "transformational" agenda. They not only wanted to kick the Republicans out of office, but wanted to elect Democrats who would radically change American society.

The New Coalition Strategy To Pass A Healthcare Law

Families USA is a group that has fought for more than a quarter century to expand the government's role in healthcare. Founded in 1982 with a $40 million endowment from high-tech businessman Philippe Villers, it advised Bill Clinton on healthcare policy during his 1992 presidential campaign. After the 1994 debacle, Ron Pollack, an attorney who co-founded the group, joined a presidential healthcare advisory commission that called for a Patients Bill of Rights. Pollack, now one of Washington's top healthcare lobbyists, took a prominent role in the 2009-2010 campaign. (Families USA was profiled in the June 2007 and August 2001 editions of *Organization Trends*.)

Critics have pointed out that the Clinton administration failed because it was blindsided by industry groups that mounted a well-funded public relations campaign against "Hillarycare." The "Harry and Louise" television ad campaign, in which a married couple struggles under government-run healthcare, fomented opposition to the legislation and frightened away Democratic members of Congress from more conservative districts.

This time around liberals pursued a different strategy. It was, "If you can't beat them, co-opt them." Liberal advocacy groups worked with industry groups, reminding them that they could benefit from healthcare legislation. They pointed out that some companies could get government subsidies to buy medical products and services, while other companies struggling with rising healthcare costs could dump their costs onto the government.

Sensing the opportunity after the Democrats captured Congress, Pollack and Families USA in January 2007 announced the formation of the Health Coverage Coalition for the Uninsured (HCCU). It called for expanding insurance coverage, starting with children. The list of organizations in the HCCU coalition tilted heavily toward key industry players: the U.S. Chamber of Commerce, the American Hospital Association, American Medical Association, America's Health Insurance Plans, Blue Cross and Blue Shield Association, the Catholic Health Association, Federation of American Hospitals, Healthcare Leadership Council, Johnson & Johnson, Kaiser Permanente, Pfizer Inc. and United Health Foundation were HCCU members as well as AARP, the American Public Health Association, American Academy of Family Physicians and Families USA. (See the July 2010 *Organization Trends* for more on how the AMA and the Catholic Health Association overcame their professional and moral scruples to promote the legislation to doctors and Catholic hospitals.)

On another front, Andy Stern, then president of the powerful Service Employees International Union (SEIU), was determined to use his perch as head of the 2.2 million member union to push for national healthcare. On the same month that Families USA announced its industry-heavy coalition, SEIU launched the "Divided We Fail" coalition – a multi-million dollar public relations effort to promote healthcare legislation. It also included AARP (the liberal activist group that disguises itself as a senior citizens lobby), as well as the Business Roundtable and the National Federation of Independent Business (NFIB).

A month later, SEIU unveiled Better Healthcare Together (BHCT), yet another partnership of liberal activist groups and big business. The liberal groups included the Center for American Progress, a liberal think tank; the Communication Workers of America (CWA), a labor union; and the League of United Latin American Citizens (LULAC). The business members included AT&T, General Mills, Intel, Kelly Services, Manpower and the Internet service providers Embarq and Qwest. Eyebrows shot up when Stern announced that Wal-Mart had joined BHCT.

These coalition-building activities occurred during the earliest stages of the Democratic presidential primary season. Stern and his liberal allies wanted to make sure that all the Democratic candidates took seriously the need to impose national healthcare on the nation. In March 2007, SEIU sponsored a health policy forum with the Center for American Progress Action Fund, the 501(c)(4) George Soros-funded lobbying affiliate of the 501(c)(3) policy shop run by John Podesta, President Clinton's former chief of staff. At campaign events Stern made sure that the Democratic candidates could see SEIU activists wearing purple tee shirts and waving signs proclaiming, "I'm a healthcare voter."

The strategy worked. All the major

Editor: Matthew Vadum

Publisher: Terrence Scanlon

Foundation Watch
is published by Capital Research Center, a non-partisan education and research organization, classified by the IRS as a 501(c)(3) public charity.

Address:
1513 16th Street, N.W.
Washington, DC 20036-1480

Phone: (202) 483-6900
Long-Distance: (800) 459-3950

E-mail Address:
mvadum@capitalresearch.org

Web Site:
http://www.capitalresearch.org

Organization Trends welcomes letters to the editor.

Reprints are available for $2.50 prepaid to Capital Research Center.

Democratic candidates unveiled ambitious national healthcare proposals. The plans introduced by Obama and Hillary Clinton were largely similar. Both forced insurers to cover individuals with pre-existing conditions, introduced a mountain of new regulations, and provided subsidies for individuals to purchase nominally private (but government-designed) insurance policies on government-run exchanges. The one major area of disagreement between Obama and Clinton during the protracted primary battle concerned an individual mandate to force Americans to purchase health insurance. Clinton supported a mandate while Obama said he opposed it.

The proposal for "a public option" became a focal point during the healthcare debate. This was the proposal that one of the insurance policies to be offered on the health exchanges would be a fully government-run plan. While the ideal liberal system was a "single-payer" (i.e. socialized) system, savvy Democrats believed this was not politically feasible even with Democratic control of Congress and even though Obama was on record (in 2003) as supporting a single-payer approach. Instead, they devised a strategy to have the government offer Americans a variety of Medicare-like plans. However, the thinking went that if the federal government could use its bargaining power to drive private insurers out of business, it would eventually force people to migrate to a government-run plan. Slowly but surely the United States could make the transition to a single-payer system.

The SEIU provided a huge boost to Barack Obama during the primaries when it endorsed him over Hillary Clinton in February 2008, and it continued to pump money and resources into his general election campaign. All told**,** Stern told the Los Angeles Times that the union spent $60 million to help elect Obama and deployed 100,000 "volunteers." That paid generous dividends when Obama moved into the White House.

In July 2008, shortly after Obama secured the Democratic nomination, SEIU played a founding role in creating another umbrella group of liberal activist organizations. This one was called Health Care for America Now (HCAN). It pledged to spend $40 million on grassroots organizing and multi-media campaigns pushing government healthcare. The steering committee for this organization comprised thirteen clearly left-wing activist groups: the Association of Community Organizations for Reform Now (ACORN), the American Federation of State, County and Municipal Employees (AFSCME), Americans United for Change, Campaign for America's Future, Center for American Progress Action Fund, Center for Community Change, MoveOn.org, National Education Association, National Women's Law Center, Planned Parenthood Federation of America, SEIU, United Food and Commercial Workers, and USAction. Later additions include the Children's Defense Fund, Leadership Conference on Civil Rights, and the National Council of La Raza.

Each member of the steering committee made an initial contribution of $500,000 to fund HCAN, which also received a $10 million grant from the Atlantic Philanthropies, a foundation with $3.3 billion in assets in 2007. Chuck Feeney, an Irish-American businessman who made billions as co-founder of the retail chain Duty Free Shoppers, founded the Atlantic Philanthropies in 1982. On its website, the charity describes itself as "a limited-life foundation, one that is committed to spending its entire multibillion-dollar endowment by 2020, in order to make greater and more immediate improvements in the world."

The president and CEO of the Atlantic Philanthropies is Gara LaMarche. He was previously director of U.S. programs for the Open Society Institute, the philanthropic foundation founded and chaired by George Soros.

HCAN, the membership group receiving Atlantic Philanthropies largesse, is a 501(c)(4) issue advocacy organization. It has ties to the 501(c)(3) Health Care for America Education Fund, a project of the far-left Tides Foundation. Since 2000 Tides has provided more than $400 million in grants to progressive causes. In addition to its core membership, HCAN rallied support from 100 other national organizations, as well as hundreds of state and local groups, including unions, community activist organizations, nurses groups, faith-based organizations, civil rights groups, liberal websites, and think tanks.

How the Left Kept Obama's Attention Fixed on Healthcare

In October 2008, Barack Obama added his name to a list of some 75 members of Congress who had endorsed an HCAN statement on the essential principles of a new healthcare law. After Obama won the election, HCAN took out a television ad congratulating him. The ad featured clips from stump speeches in which Obama speaks about making healthcare reform a priority. HCAN's strategy was to hold President Obama's feet to the fire. It wanted to make sure that healthcare remained at the top of his 'to do' list.

In hindsight it may seem that healthcare was always an Obama administration priority. But this wasn't a foregone conclusion. At a time of mounting job losses, turmoil in the financial markets and massive deficits, many Democrats advised the incoming president to make the economy issue #1 and approach healthcare incrementally. It's only because a network of liberal advocacy organizations demanded that Democrats focus on healthcare that Barack Obama pursued the issue so doggedly. These groups created the coalition groups that linked Corporate America to left-wing special interest groups. They raised the money for a massive P.R. campaign. And they turned national healthcare from a concern of liberal policy experts that was hard to sell to the American public into a political priority that all Democratic party candidates pledged themselves to enact into law.

From the get-go, SEIU's Stern enjoyed close access to Obama. He sat in the presidential box in front of the White House on Jan. 20, 2009 to watch the Inauguration Day parade with the newly sworn-in president. In the first six months of Obama's presidency, Stern was the administration's top visitor, with 22 reported trips to the White House. John Podesta of the Center for American Progress also made the administration's top 10 visitors list, according to a Wall Street Journal report.

MoveOn.org, was the online George Soros-funded group that initially urged Americans to "move on" from the Clinton impeachment proceedings. But it became notorious for its fierce opposition to the Iraq War and the Bush administration. Nonetheless, so coordinated was the leftwing political apparatus that when MoveOn polled its members on what its priority issue should be for 2009, hundreds of thousands of activists voted for universal healthcare. They placed it at the top of their list – even ahead of withdrawing U.S. forces from Iraq.

Sure enough, shortly after signing into law the $862 billion economic stimulus bill in February 2009, President Obama declared in his first speech to a joint session of Congress that "we can no longer afford to put healthcare reform on hold."

The administration began its healthcare push by building on the strategy that Stern and Families USA's Pollack had envisioned years earlier. It sought out support from industry groups to defang the opposition and create the impression that passing healthcare legislation was inevitable.

In March 2009, Obama convened a White House Healthcare Summit to launch the effort. The president pledged to solicit opinions across the ideological spectrum on how to fix the nation's medical system, but his guest list was carefully devised. He picked leaders from 169 labor, industry, and policy organizations, but *not one* represented an organization that advocated a consumer-based free-market approach to healthcare.

Progressive organizations such as the Center for American Progress, HCAN, SEIU and Campaign for America's Future were represented. Pro-market groups such as the Cato Institute, the National Center for Policy Analysis, Consumers for Health Care Choices, and the Galen Institute were not.

AARP Joins the Choir

The familiar liberal think tanks and advocacy groups found a key ally in AARP, the group that lobbies for entitlement programs for those aged 50 and older. AARP describes itself as non-partisan, but it consistently supports big government initiatives and is staunchly opposed to reforming Medicare and Social Security entitlements. In 2005, AARP led the effort to demagogue President Bush's drive to reform Social Security by allowing younger people to open private retirement accounts. When AARP did support the Bush administration, it was to tout the massive Medicare prescription drug plan, which by some measures adds $15.6 trillion to the nation's long-term entitlement deficit. (AARP was profiled in the April 2010 *Organization Trends*.)

During last year's healthcare debate, older Americans were those most fiercely opposed to the healthcare push, especially when it became apparent that the emerging plan would be financed by hundreds of billions of dollars in Medicare cuts. When Republicans were in power, AARP frantically condemned even small cuts to Medicare, but with Democrats leading the way, AARP offered its full-throated support for Obamacare.

AARP funded ads and hosted town hall style events. Its website "Health Action Now" urged visitors to sign a petition imploring the Democratic Congress to follow through on the President's pledge to enact healthcare legislation by the end of the year. The site even allowed users to enter their phone number to be automatically connected to their member of Congress to deliver AARP's message that "the time for action is now."

AARP does not make campaign contributions, but at the request of the American Spectator magazine, the Center for Responsive Politics analyzed federal election data of those who list themselves as AARP employees. While only 123 records were located for the 2008 election and the dollar figures are low, the partisan breakdown is revealing.

Individuals linked to AARP gave $48,801 to Democratic candidates, party committees, and leadership PACs, compared with $5,121 that they gave to Republicans. More than 90% of the money went to Democrats. (These figures do not include those AARP employees who may have contributed but did not identify their employer. Nor do they include contributions from AARP's new CEO, Barry Rand, who did not join the group until March 2009. Rand was a strong Obama supporter in 2008, having contributed $8,900 to various election committees.)

AARP's motive for supporting Obamacare is not purely ideological. The new law is a financial bonanza for the group's primary business—selling insurance. In 2008, AARP generated $652.7 million in revenue selling products like Medigap supplemental Medicare insurance, which accounts for over 60% of the group's revenue, according to an analysis of its financial statements cited in the report released by the House Republican Conference.

It just so happens that Democrats stripped hundreds of billions of dollars in subsidies from Medicare Advantage, a program through which 11 million Medicare beneficiaries (or about one in four) purchase additional benefits from private insurance carriers. As a result, many seniors will find that they need to purchase policies supplementing traditional Medicare—from AARP.

Although AARP officials didn't convince older Americans to support the pending healthcare legislation, they helped Democrats blunt GOP attacks. Prior to the vote in the House and Senate, Republicans repeatedly assailed the Medicare cuts, but Democrats fired back by citing AARP's endorsement. Republicans in Congress were hard-pressed to respond because many of them applauded AARP for endorsing the Bush administration's Medicare prescription drug plan in 2003.

The Liberal Activist Juggernaut

Having corralled Obama and other Democrats into making healthcare a priority, liberal activist groups worked hard to prevent Democrats from deserting the cause when its lack of public support became apparent.

One big test came in August 2009. Congress had adjourned for the summer without meeting an arbitrary deadline for passing a healthcare bill. When lawmakers went home they were savaged by angry constituents who overwhelmingly opposed the legislation, especially in key swing districts. Progressive and union activists had expected to use town hall meetings to build support for healthcare. Imagine their surprise when they were upstaged by a surge of Tea Party protesters.

Out-organized liberal activists hastily allied with Democrats and the media to de-legitimize their town hall critics as "angry mobs." A key moment in this smear campaign occurred when a blogger for the Center for American Progress posted a memo purporting to be from a volunteer from the D.C.-based group FreedomWorks. It supposedly gave protestors their marching orders on how to disrupt town hall meetings. In fact, the story—picked up by MSNBC's Rachel Maddow and circulated through the mainstream media—was inaccurate. As the Weekly Standard's Mary Katherine Ham subsequently reported, the memo's author had no ties to FreedomWorks. He was a local libertarian whose group consisted of 23 Facebook friends.

When members of Congress returned to Washington in September, President Obama again addressed them in joint session to declare, "The time for bickering is over. The time for games has passed. Now is the season for action."

The next few months were a period of feverish legislative activity. But Democrats kept running into a stumbling block—the so-called public option. Insurance companies had no qualms about endorsing a plan under which the federal government would require all Americans to purchase private insurance and give insurers hundreds of billions of dollars in subsidies. But the insurance industry opposed having to compete against a government-run plan. Ironically, they agreed with liberal activists in recognizing that the public option was the central element of any healthcare plan that would transform American society. Anything else, many progressives argued, would just be a pay-off to the insurance industry.

When Sen. Max Baucus (D-Mont.) unveiled his long-awaited Finance Committee proposal in mid-September, HCAN immediately declared it a "failure," and "a gift to the insurance industry that fails to meet the most basic promise of healthcare reform," because it lacked a government-run plan.

The problem congressional leaders faced was that the inclusion of a public option lost the votes of Democratic "moderates", while "progressive" Democrats threatened to oppose any bill that did not include it. Speaker Nancy Pelosi muscled a bill through the House, but Senate Majority Leader Harry Reid needed 60 votes to thwart a GOP filibuster. Reid stripped the public option from the Senate bill to accommodate Sen. Joe Lieberman's strong objection to it, and liberal members of the Senate caved, voting for a watered-down bill with no public option.

When Republican Scott Brown was elected to fill the late Ted Kennedy's Senate seat in Massachusetts, the Democrats lost their filibuster-proof majority. With Democrats in disarray, liberal groups led a furious response to make sure they didn't get cold feet. The HCAN coalition of left-liberal groups absorbed the loss of the public option. HCAN's Richard Kirsch said, "Congress must keep going and finish reform right." And despite the evidence from Massachusetts of a backlash against Democratic overreaching, SEIU's Stern insisted that: "This is not the time for timidity. It is time to show the courage and strength of conviction to move this country forward and bring working families the change they need. It starts by passing health insurance reform…"

Liberal activists argued that Democrats lost Congress in 1994 not because they tried to pass healthcare, but because they failed to do so. If Democrats abandoned the healthcare push again, so the theory went, Republicans would run against their failure and a disillusioned liberal base would stay home. Liberal activists and unions upped the ante by putting many moderate Democrats on notice that they might face primary challenges from the left.

How Sausage Is Made

The legislative "process" is not pretty. While some liberals continued to call for a public option, Families USA's Pollack proposed a way to get past the legislative logjam. His "two-step" approach was reported by the Politico:

> Under Pollack's proposal, the House would take up the Senate bill only after the White House and congressional leaders struck a deal on key issues, such as taxes and the subsidies to purchase insurance. They would incorporate those changes into a separate budget reconciliation bill.
>
> The House would pass both the Senate bill and the reconciliation bill, possibly on the same day. The Senate would then take up the reconciliation bill, which would require only 51 votes for passage.

Once again, President Obama and Democratic leadership were swayed by the liberal activists. They pursued a legislative strategy similar to the one Pollack proposed. And on March 23, 2010, the Democrats achieved their dream of national healthcare.

While the failure to pass a public option is the liberals' biggest disappointment, the proposal served a strategic political purpose. Instead of going after the raft of new regulations, the concept of the insurance exchange, and the mandate forcing individuals to buy insurance or be taxed, conservatives were forced to focus their attacks on the public option. In the end, left-wing activists who preferred a single payer system helped pass a law that stopped short of creating a fully government-run healthcare system. But it still put America on the pathway to socialized medicine.

Philip Klein is a writer based in Washington, D.C.

FW

PhilanthropyNotes

A paper by **Capital Research Center** senior editor **Matthew Vadum** helped convince Florida to enact a law banning the collection of race- and sex-related information from charitable foundations, **John J. Miller** reports in the July 5 issue of National Review. Vadum wrote the report on efforts by California's leftist **Greenlining Institute** and the **Florida Minority Community Reinvestment Coalition** to pressure governments into forcing grant makers and grantees to disclose the race, religion, gender, national origin, socioeconomic status, age, ethnicity, disability, marital status, sexual orientation or political party registration of their employees, officers, directors, trustees, members or owners. Such data could then be used in future shakedown efforts or to impose affirmative action-style regulations on charities. The paper, "The Future of Philanthropy in Florida," was published by the **James Madison Institute** of Tallahassee, Fla. **John Gizzi** wrote about the Greenlining Institute in the August 2008 *Organization Trends* and about race and gender quotas for nonprofits in the July 2008 *Foundation Watch*.

The **Bill & Melinda Gates Foundation**'s aggressive support for public education reform is paying off, the Washington Post reports. Across America, "[s]tates are embracing voluntary national standards for English and math, while schools are paying teachers based on student performance." Over the past 2½ years the foundation has given upwards of $650 million in grants to schools, nonprofits, and government agencies to encourage charter schools and common academic standards.

Former Congressman **Mark Siljander** (R-Mich.) has pleaded guilty to obstructing justice and acting as an unregistered foreign agent. Siljander illegally lobbied for the **Islamic American Relief Agency**, "a charity suspected of funding international terrorism," said **Beth Phillips**, U.S. attorney for the western district of Missouri. "He then used his own charities to hide the payments for his criminal activities … [and] repeatedly lied to FBI agents and prosecutors investigating serious crimes related to national security," she said. Siljander faces a face of $500,000 and up to 15 years in prison and fines up to $500,000.

Acronyms run amuck. The **YMCA**, formerly the Young Men's Christian Association, will now officially be known as "the Y." Shortening the name makes the organization "warmer, more genuine, more welcoming," said the Y's senior vice president **Kate Coleman**. **National Public Radio** is also planning to use only its initials, NPR, the Washington Post reports.

Goldman Sachs WATCH

Goldman Sachs is working hard to save ShoreBank Corp., a failing Chicago bank with extensive ties to Democratic politicians including President Obama and Hillary Clinton. Goldman CEO Lloyd Blankfein wants his company to invest in ShoreBank and has discussed his plan with Federal Deposit Insurance Corp. chairman Sheila Bair, the Wall Street Journal reports.

Goldman Sachs, Citigroup Inc., Morgan Stanley and a slew of other brokerages and banks are being sued by Boston-based Cambridge Place Investment Management Inc. over subprime mortgage investments. The plaintiff claims in the lawsuit to have lost upwards of $1.2 billion because banks "conducted inadequate due diligence and failed to satisfy their own responsibilities." Ironically, Cambridge Place was founded by former Goldman bankers Robert Kramer and Martin Finegold.