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Policy Escalation: Richard Nixon, Welfare Reform, and the Development of a Comprehensive Approach to Health Insurance

Abstract: I argue that health insurance emerged as an important aspect of Nixon's domestic policy agenda as a result of "policy escalation." By policy escalation, I mean a cascading line of reasoning that causes policy makers focused on one apparently discrete issue to formulate approaches for dealing with other interconnecting policy areas. Policy escalation serves as an internal agenda-setting mechanism: as policy makers contemplate policy changes, they may attempt to imagine the ways in which change will affect the rationale, fiscal position, and execution of programs in other policy areas. In the case of health insurance, the Nixon administration's proposal for replacing Aid to Families with Dependent Children with a guaranteed minimum income forced policy makers to consider how the new program would interact with the existing Medicaid program. Consideration of this question ultimately led them to formulate an approach to overhauling the nation's entire health insurance system.

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In 1971 and again during 1974, President Richard Nixon announced ambitious proposals for expanding access to health insurance. The structure of these plans foreshadowed the policy approach of the 2010 Patient Protection and Affordable Care Act.[1]

For health policy scholars, the Nixon proposals have often appeared somewhat anomalous. They are typically interpreted as essentially political. The 1971 proposal is often viewed as an attempt to position Nixon favorably for the 1972 presidential election.[2] The 1974 proposal is often viewed as an attempt to distract the nation from Watergate and reclaim the political initiative.[3] David Blumenthal and James Morone have added nuance to these arguments, emphasizing Nixon's family experiences with illness and desire to achieve a health policy success.[4]

In this article, I focus on the emergence of the Nixon administration's 1971 National Health Strategy. I ask why the administration developed an innovative and expansive national health program. I argue that access to health services emerged as a primary aspect of Nixon's domestic policy agenda as a result of what I term "policy escalation." By policy escalation, I mean a cascading line of reasoning that causes policy makers focused on one apparently discrete issue to formulate approaches for dealing with other interconnecting policy areas.

In this case, the Nixon administration's initial goal was to transform the incentives and politics that supported the American welfare system by replacing Aid to Families with Dependent Children (AFDC) with a guaranteed minimum income for families. This vision, along with the politics that flowed from their practical attempts to forward it, forced officials to consider AFDC's interdependency with other welfare-related programs. Consideration of this question ultimately led them to formulate an approach to overhauling the nation's entire health insurance system.

POLICY ESCALATION

The concept of policy escalation is interconnected with questions of attention, an aspect of policy development often highlighted in the literature on the policy process. Policy makers, as Frank Baumgartner and Bryan Jones have emphasized, face severe limitations in their capacity to process information. At any given time, policy makers face a vast array of issues to which they might pay attention.[5] Why, policy process scholars have asked, does one issue receive attention from policy

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makers while others do not? Policy escalation offers a partial explanation, emphasizing internal agenda-setting processes. As policy makers contemplate altering one policy, I argue, they may attempt to imagine how change will affect the rationale, fiscal position, and execution of policies in other areas.

Policy making around means-tested programs is prone to policy escalation because of the complex and overlapping nature of the American welfare system and because attempts to transform means-tested programs are often embedded in broader normative visions of society. Closely related are ideas about what, if any, role government should play in furthering these visions.[6] For means-tested programs, discussions of policy alternatives are almost always morally, racially, and politically charged.[7] At the same time, policy alternatives are routinely framed in terms of rationality, incentives, and economics.[8] The result is a policy arena that is characteristically described in terms of comprehensive approaches that may lead policy makers and political leaders toward an ever-expanding policy agenda.

POLICY ESCALATION AND POLICY RECEPTION

The issues that come to the forefront of the agenda for policy makers through policy escalation may be less salient for other veto players in a political system.[9] Presented to potential allies in the form of policy solutions, policies emerging through policy escalation must be effectively linked to policy problems in order to gain political traction.[10] Defining a problem for the public, the media, and for other political actors, however, may prove more challenging than when problem definition occurs in response to a focusing event or emerges out of other forms of agenda setting. Policies emerging through policy escalation within a presidential administration may be particularly prone to being blocked by decision makers within a president's own political party or within Congress. Some may never emerge as fleshed out bills within Congress, leaving little public trace and consequently creating major analytical challenges for scholars of public policy and political development.[11]

Policies developed in this manner may lead to significant political failures. During the George W. Bush administration, for instance, proposals grounded in the concept of an "ownership society" flowed from the application of policy rationales to new arenas and from consideration of how altering policies in one area might affect interlocking policies. Pursuing the "ownership society" concept, Bush administration officials sought to combine understandings of how differing incentives affected behavior with a willingness to use new programs to alter these incentives. Although the Bush administration

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achieved some of the goals that flowed from this approach (including policies related to health savings accounts and home ownership), it faced a prominent defeat in the demise of its plan for privatizing aspects of the Social Security System.

Similarly, Nixon administration officials developed a health care approach that was out of step with the preferences of important veto players in Congress and thought leaders within both political parties.[12] As we will see, this approach to health policy emerged out of the administration's plan for reforming the nation's social welfare system and instituting a guaranteed minimum income for families. Introduced in 1971, the Nixon administration's "National Health Strategy" proposed (a) almost entirely replacing Medicaid with a nationwide "Family Health Insurance Plan," (b) an employer mandate to provide health insurance and regulation of the content of employer-sponsored policies, and (c) a requirement that insurance companies sell high quality policies on the individual market regardless of any preexisting medical conditions that an individual might have. As a means of controlling costs, incentivizing prevention, and improving the delivery of health services, the strategy proposed (d) inducements to replace fee-for-service medicine with prepaid group practice "Health Maintenance Organizations."

Once introduced, the Nixon plan gained little traction with Nixon's ostensible Republican allies and failed to gain support from the Democrats who controlled critical congressional committees. Nonetheless, Nixon's proposal had a lasting influence on discussions of policy options among health policy makers. In 1974, Nixon pushed again for a set of policies grounded in the 1971 plan. Later, a series of reforms led to the implementation of a policy regime comparable to that proposed by Nixon in Massachusetts, though with the addition of an "individual mandate" to carry health insurance. Ultimately, these policies were adopted at the national level under the Patient Protection and Affordable Care Act.[13] As James Morone has written, "Nixon reimagined national health insurance—all subsequent Democratic administrations offered variations of the Nixon plan."[14]

THE "WELFARE CRISIS" AND THE DOMESTIC POLICY AGENDA

Scholars have paid significant attention to the Nixon administration's Family Assistance Plan (FAP), which proposed a guaranteed minimum income for families.[15] Introduced in 1969, FAP formed the centerpiece of the Nixon administration's initial domestic policy agenda.

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FAP was developed in response to an elite consensus that the welfare regime was in the midst of a crisis. This consensus was interconnected with elite and popular discussions about an "urban crisis," and conversations around these issues had a strong racial dimension.[16] FAP also emerged out of the Nixon administration's goal of bringing important elements of the New Deal Democratic coalition into the Republican Party.[17]

Among policy elites, Aid to Families with Dependent Children (AFDC) was understood as perhaps the most problematic aspect of the welfare regime. Originally called Aid to Dependent Children, the program was created as part of the 1935 Social Security Act. It was renamed Aid to Families with Dependent Children in 1962. The program was initially conceived of as a limited extension of existing state-level programs for supporting widowed mothers. The 1939 Social Security Amendments, however, added survivors' benefits for the families of workers covered by SSA's old-age pension program. Over time, this change shifted widows from the ADC program to survivors' benefits. By the end of the 1950s, ADC was the nation's single largest "welfare" program, eclipsing aid to the indigent elderly, the blind, and the disabled. Rather than widowed mothers and their children, most beneficiaries lived in families where the mother was divorced or had never been married.[18]

During this period, the racial composition of the program's recipients changed significantly. Although white recipients dominated the program in its early years, Black recipients comprised 45.2% of the AFDC caseload by the time that Nixon took office.[19] In conjunction with the growth of the Black population in northern cities during the post-World War II era, this new dynamic helped to fuel a backlash with a strong racial component. Among policy makers and in the public conversation, there was a perception that cash assistance programs acted as a "welfare magnet," with generous AFDC benefits in the North drawing in African American migrants from the South.[20] The new form of backlash politics was dramatized in a 1962 television documentary, "The Battle of Newburgh," which dealt with attempts by Newburgh, New York's city manager, to restrict access to welfare programs for recent African American arrivals.[21]

Also in 1962, Chicago School economist Milton Friedman articulated a plan for replacing cash assistance welfare and welfare-related social services with a graduated "negative income tax."[22] Under Friedman's plan, the Internal Revenue Service would remit money to those with zero or little income, with reductions in the remittance taking place as income increased. This structure would allow recipients to increase their incomes by working outside of the home, confronting what Friedman viewed as the disincentives to work associated with AFDC. Focusing on pure cash transfers, the negative income tax

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assumed that welfare recipients would be better off if they were able to make their own decisions about how to spend money. The system would be integrated with the federal tax code, an approach that proponents believed would reduce the potential stigma associated with welfare.[23]

The negative income tax idea ultimately caught on with a small group of bureaucrats in the presidential administration of Lyndon Johnson.[24] Although Johnson was skeptical of the support for this approach within the Office of Economic Opportunity (OEO) and the Department of Health, Education and Welfare (HEW), which both inaugurated small pilot studies, he ultimately chartered an investigative "Commission on Income Maintenance Programs." Issued after Nixon took office, the Commission's report emphasized the welfare system's failure to provide adequate support to a large portion of the nation's low-income population and highlighted the exclusion of working families, particularly those headed by men. Although "no Federal income transfer programs have been enacted to supplement the earnings of the employed poor," it noted, "one-third of all persons in poor families in 1966 lived in families headed by full-time employed male workers."[25]

During the 1968 Democratic presidential primaries, Eugene McCarthy, the liberal Senator from Minnesota, embraced a national minimum income. Vice President Hubert Humphrey, the eventual nominee, adopted an open but more cautious approach. Senator Robert F. Kennedy, meanwhile, argued that "a certain income paid for by the federal government" would enlarge the federal bureaucracy without offering a genuine solution. "The answer to the welfare crisis," Kennedy asserted, "is work, jobs, self-sufficiency, and family integrity; not a massive new extension of welfare; not a great new outpouring of guidance counselors to give the poor more advice."[26]

Candidate Nixon also engaged with the welfare issue. Nixon, the *New York Times* reported in May 1968, was "studying a wide range of alternatives to the present welfare system, including a guaranteed income." [27] Speaking weeks before the general election, Nixon suggested that uneven benefits across states drove migration from rural southern states to northern industrial areas, exacerbating the issues confronting cities. The nation, Nixon suggested, "ought to provide an adequate standard of welfare" regardless of location: "We ought to recognize that this is one country."[28]

WELFARE AND THE NIXON ADMINISTRATION

Welfare was a primary domestic policy concern for Nixon's presidential transition team. The incoming president tapped Richard Nathan, of the

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Brookings Institute, to lead a task force on the topic. In line with the popular "welfare magnet" theory and Nixon's own public statements, Nathan's task force produced a proposal that included the standardization of AFDC benefits across the nation.

During this period, Nixon made a series of personnel decisions that would affect the nature and scope of his domestic policy proposals. Perhaps most prominent was his choice of Daniel Patrick Moynihan, a Democrat, Harvard professor, and veteran of the Kennedy and Johnson administrations, to head the newly created "Council for Urban Affairs." Moynihan believed that AFDC's structure both fueled program growth and incentivized the breakdown of the nuclear family. In conjunction with federally supported social services, Moynihan believed, AFDC led to a devastating array of unintended consequences for lower-income Americans.[29] If an AFDC-eligible woman sought employment outside of the home, Moynihan reasoned, she would lose cash assistance benefits, along with benefits from related programs such as food, health, and housing assistance. Working, in other words, might result in a net decrease in her family's total income. In every state, meanwhile, AFDC excluded families with a working father, an approach that Moynihan believed discouraged marriage as well as work.[30]

This issue was of paramount importance to Moynihan. In 1965, Moynihan's "The Negro Family: The Case for National Action," prepared for the Department of Labor, had provoked a firestorm of criticism. Moynihan described Black life in the United States as a "tangle of pathology." At the center of this tangle, he asserted, was "the weakness of the family structure."[31] Moynihan's report was pilloried for appearing to blame African Americans subjected to pervasive racial discrimination for their own oppression.[32] In the years that followed, Moynihan became a fierce public opponent of existing welfare programs, denouncing the "services" approach to welfare that had been so prominent over the past decade. The "services" approach, Moynihan maintained, empowered professional social workers at the expense of autonomy for low-income Americans. Rather than gaining assistance in supporting themselves, Moynihan maintained, welfare recipients were being subjected to an invasive, costly, and ultimately ineffective system.[33]

As head of the Council for Urban Affairs, Moynihan worked with administration Republicans hoping to offer a distinct alternative to Great Society liberalism.[34] John Price, Moynihan's deputy on the council, and Robert Patricelli, of HEW, were both former leaders of the moderate Republican Ripon Society. The Ripon society had endorsed the negative income tax, and Price and Patricelli championed this approach in the new

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administration.[35] The negative income tax, they maintained, represented a "thoroughly Republican" alternative to the Great Society's War on Poverty.[36] Moynihan, eager to address the welfare issue, would rapidly come to embrace the negative income tax concept.

Nixon brought in several other figures who shaped the domestic policy trajectory of the administration. Crucially, he chose Robert Finch, a longtime advisor who had served as campaign manager in Nixon's failed 1960 presidential bid, to head the Department of Health, Education and Welfare. Finch left his position as Lieutenant Governor of California to accept the role and brought along a small group of Californians.

This group included Lewis Butler, a friend of Finch's who became assistant secretary for planning and evaluation in HEW.[37] Finch also recruited John Veneman, a California State Assembly member, to serve as undersecretary for Health, Education and Welfare. Veneman, in turn, recruited Tom Joe, an analyst who had been a respected voice in California policy planning. Collectively, Finch, Butler, Veneman, and Joe would become strong internal voices in favor a negative-income-tax-style approach to reforming welfare.

The currents in favor of welfare reform were further reinforced by Moynihan and Nixon's analysis of the domestic political situation. In the 1968 presidential election, former Alabama Governor George Wallace won 13.5% of the vote as a third-party candidate. Nixon won 43.4% of the vote in 1968, just edging out Democrat Hubert Humphrey's 42.7%. Wallace's pursuit of the presidency relied on the politics of racial grievance and on attempts to heighten anxiety and alienation among Democratic constituencies in the South and northern white ethnic communities. Shaping his approach to domestic policy making, Nixon was fascinated by the prospect of bringing Wallace voters into the Republican Party and forging a new and enduring electoral majority.[38]

Moynihan's belief that the existing AFDC system hurt African American families and Nixon's interest in courting Wallace voters ensured that the racial dimensions of welfare policy were highly salient. In conversations with the president, Moynihan highlighted the potential political effects of addressing welfare on Wallace voters. He suggested that embracing the negative income tax might be a path toward courting Wallace voters in northern cities. An "income maintenance" approach encompassing working class whites, Moynihan maintained, would also defuse the resentment and alienation that fueled the Wallace campaign. Federal money should go to families headed by working mothers and fathers as well as to unemployed mothers and their children. Under such an approach, Moynihan argued,

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"the government does not seem to be playing favorites, while ignoring the needs of others who are only marginally better off."[39]

The list of substantive and political benefits that might flow from the negative income tax approach, according to Moynihan, was impressive. The approach would confront poverty while also removing recipients from invasive supervision by social workers. A reformed system would also, according to Moynihan, defuse racial and economic tensions.[40] Confronting the welfare issue, Nixon could take a bold stand that would perplex his opponents and generate political support among working class whites. [41] According to an internal report from Moynihan's Council for Urban Affairs, pursuing the negative income tax would "demonstrate that the new Administration is addressing itself to underlying issues, rather than tinkering with narrow, single purpose programs. This will be felt immediately, and should appeal to conservatives and liberals alike who are distressed by present welfare policies."[42] In one memo, Moynihan told Nixon that the Ford Motor Company's Arjay Miller had mused to Moynihan that if Nixon could get out of Vietnam and get Congress to support the negative income tax idea "the Republicans will become the majority Party in the United States."[43] Nixon endorsed Moynihan's logic: throughout the early months of his administration, the president backed welfare reform efforts being developed within HEW, the Council for Urban Affairs, and OEO despite the resistance of the administration's more traditionally inclined conservatives.[44]

THE FAMILY ASSISTANCE PLAN

During the presidential transition, Richard Nathan's task force favored standardizing AFDC benefits across the nation. For Moynihan and other officials, however, this approach came to appear misguided relative to the negative income tax idea. Standardizing benefits, a Council for Urban affairs report maintained, would "have the effect of inhibiting out-migration of the poorest Blacks and Whites from the South." Although this was viewed as a benefit, council members worried that standardizing benefits might also "draw many more people from very menial and low-paying jobs onto the rolls. These rolls have become increasingly Black and the risk is run that there may be increased racial divisiveness."[45] Ultimately, the administration adopted a proposal grounded in the negative income tax idea. Its technical features were largely created by two holdovers from the Johnson administration, Worth Bateman of HEW and James Lyday of OEO. Initially pitched

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as the "Family Security System," the proposal was later renamed the Family Assistance Plan (FAP).

Nixon announced FAP in a televised address on August 8, 1969. The welfare system, Nixon told the nation, was a "colossal failure" that caused serious fiscal stress for states and cities. It broke up homes, penalized work, robbed recipients of their dignity, and grew continuously. Before outlining his more aggressive plan for scrapping AFDC, Nixon described an apparently modest proposal: the nation's patchwork system of support for the indigent aged, the blind, and the disabled would be transformed by standardized national minimum benefits. As fleshed out in the months that followed, this proposal suggested that states could continue to operate programs for the aged, blind, and disabled if they wanted to but that the ultimate course would be toward a streamlined system and national administration.[46]

Next, Nixon moved on to the "Family Assistance Plan." Aid to Families with Dependent Children, he explained, would be "done away with completely." In its place, Nixon proposed a federally guaranteed income floor for families. The benefits of FAP "would go to the working poor, as well as the nonworking; to families with dependent children headed by a father, as well as to those headed by a mother." Under FAP, "a basic Federal minimum would be provided, the same in every State." The turn away from New Deal-style state-by-state eligibility criteria was consistent with the administration's focus on the idea of a "new federalism," which suggested that direct services such as policing should be provided by local governments, whereas commitments such as income support should be administered uniformly based on "defined criteria of eligibility."[47]

Nixon's FAP announcement emphasized removing barriers to working outside of the home and personal responsibility. During the development of FAP, Secretary of Labor George Shultz designed a Milton Friedman-inspired "income disregard" plan, intended to ensure that a family could keep a certain portion of earnings beyond the minimum income. After that, earnings would be subject to a 50% tax up to the point where income reached a maximum level. [48] Nixon made sure that these aspects of the plan were front and center in his speech. In an internal memo leading up to the address, Nixon chief-of-staff H.R. Haldeman noted that president "feels that the most important thing" about the announcement of FAP "is the rhetoric." Nixon, Haldeman wrote, "does not want to appeal to people on welfare, or to the unemployed, or to the Blacks. The appeal, instead, is to be to the working poor and the taxpayer."[49]

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FAP, Nixon insisted, was not a "guaranteed income." Where a guaranteed income would establish "a right without any responsibilities," FAP "recognizes a need and establishes a responsibility." Those receiving assistance would have to "accept" work or training "provided suitable jobs are available either locally or at some distance if transportation is provided."[50] Those unable to work and the mothers of preschool aged children would be excluded from this requirement.

This component, which was manifestly inconsistent with the administration's focus on removing low-income Americans from what Moynihan and Nixon viewed as scrutiny by social workers, was added at the behest of Arthur Burns, the conservative economist and counselor to the president who served as a counterweight to Moynihan during the early Nixon administration. Burns and his deputy Martin Anderson opposed FAP. Unable to halt the proposal's momentum, they persuaded Nixon to include an explicit "responsibility" component.[51] According to Moynihan, Nixon accepted this addition in part as a means of providing political cover against those who might be inclined to view FAP as a massive and inappropriate federal hand out.[52] Notably, the administration's bill included a penalty for not working outside of the home or engaging in training programs but did not threaten to fully rescind FAP benefits. Somewhat similar provisions were already in place under the AFDC "Work Incentive Program" created by Congress in 1967.[53]

As support for these requirements, the federal government would fund a new network of day care centers. The embrace of work or training requirements and day care centers flowed from the expansive, overlapping, and politically fraught nature of the challenges that the administration sought to confront. "Once again," Moynihan later reflected, "the logic of the dependency problem was expanding the government response."[54] Later, in 1971, Nixon would veto legislation developed in Congress that would have created a national day care program. This veto stemmed in large part from concerns that the congressional approach bypassed state governments in favor of a Great Society-esque community-sponsored approach.[55] Nonetheless, it is fair to say that the administration's embrace of day care centers represented an incongruous departure from the pure negative-income-tax approach that had originally grabbed the attention of figures such as Moynihan, John Price, Robert Patricelli, Lewis Butler, and Robert Finch.

"NOTCH EFFECTS" AND FAP

While developing FAP, administration officials spent a great deal of time discussing the importance of avoiding "notch" effects, instances where an

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economically rational individual might elect to stay at home rather than to work.[56] As HEW's Lewis Butler explained it, FAP sought to "get this notch effect out of welfare, so if you got a job you didn't lose your welfare."[57] The original negative income tax concept had been appealing because, in Butler's words, "welfare discriminated against people that wanted to go to work because if you got a job, no matter how little you made, you lost all your welfare benefits. And on top of that, you lost your Medicaid, your health insurance."[58]

In its initial iteration, FAP did a notably unimpressive job of addressing the issue of noncash benefits. As introduced to Congress, FAP included a plan for integrating the administration's already-announced plans for an expanded food stamp program with the new income maintenance strategy.[59] This inclusion, like the administration's support for day care centers, highlighted the drift away from the negative income tax vision as originally articulated by Milton Friedman. Indeed, as Daniel Patrick Moynihan later noted, "most of the advocates of an income guarantee" tended to view food stamps as "an anachronism that ought to, as soon as possible, be 'cashed out' and incorporated into the primary income-maintenance system."[60]

Over the long run, Moynihan believed, the decision to meld FAP with an expanded food stamp program proved a political liability. To begin with, the food stamp component diluted the coherence of the original negative income tax vision, which had sought to replace noncash benefits and services with money. Beyond this, it had the unexpected effect of leading liberal critics of FAP (who tended to focus on the program's cash value while ignoring the increase in purchasing power represented by the stamps) to consistently underestimate the value of the plan to its potential recipients.[61] The attempt to weaken notch effects by integrating FAP with the administration's food stamp proposal, meanwhile, would come to appear as at best a small first step when prominent leaders within Congress began to explore the full nature of the notch effects associated with FAP.

FAP AND CONGRESS

It appeared at first that FAP might sail through Congress. Bolstered by the support of Ways and Means Committee Chairman Wilbur Mills, Democrat from Arkansas, FAP passed the House of Representatives in April 1970. The 243-155 vote in favor of the bill, however, obscured a very real set of divisions. Northern Democrats supported the bill by a 126-19 margin, but Republicans were less enthusiastic. Despite the efforts of James Byrnes, the ranking

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Republican on the Ways and Means Committee, Republicans favored the bill by a less impressive 102-72 margin. Southern Democrats, meanwhile, largely rejected the administration's proposal, with fifteen members from the South voting in favor of the bill and sixty-four voting against it. [62] As would become clear in the months that followed, white regional political leaders were inclined to view the bill's benefits for Black southerners as a threat to the South's economic and social order.[63]

Weeks after the bill passed the House, Louisiana Democrat and Senate Finance Committee Chair Russell Long began holding hearings on the bill. From the beginning of the hearings, Long portrayed FAP as the continuation of a failed set of policies. The Finance Committee also included Oklahoma Democrat Fred Harris, a liberal critic of the bill who questioned administration officials over whether the bill's income supports were generous enough. Georgia Democrat and recalcitrant segregationist Herman Talmadge, meanwhile, pressed administration officials on the large number of families that FAP would cover while also emphasizing his belief that its work requirements were too weak.[64]

A similar set of criticisms, portraying the bill as too stingy or too generous, had already been raised in the House. This line of attack came as little surprise to administration officials. Far more devastating was the approach taken by ranking minority member John Williams, Republican of Delaware. Relying on charts prepared by HEW staffers, Williams persuasively highlighted the notch effects that would flow from the administration plan. When combined with existing food assistance programs, Medicaid, and housing programs, Williams argued, FAP would create serious disincentives to work.[65]

After three days of hearings on the plan, administration officials and Senators Long and Williams agreed that the administration should be given time to address the notch effects that Williams had highlighted. In a press release, Long and Williams announced that the committee would ask the administration to reconsider FAP's relationship to existing social programs and to address what committee members viewed as lingering disincentives to work.[66] The administration's plan, according to a statement issued by the Committee, should "recognize the contributions made by other aid programs such as public housing, food stamps, rent supplements, and so on." It was the view of the committee "that monetary incentives for able individuals to reduce or quit gainful employment in order to qualify for larger welfare benefits should be ended. Unfortunately, the Family Assistance Plan continued these disincentives to self-help."[67]

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As HEW officials scrambled to address these concerns, they faced an unexpected and dizzying complication in the form of the administration's foreign policy. On April 30th, following the second day of the Senate FAP hearings, Nixon appeared on prime-time television to announce that he was ordering American forces into neutral Cambodia.[68] Although the Nixon administration had not publicly acknowledged it, the United States had been bombing targets in Cambodia associated with the North Vietnamese and the Viet Cong for more than one year.

Secretary Robert Finch, a major proponent of FAP, now found himself embroiled in controversy over the administration's actions in Cambodia. [69] After National Guardsmen killed four college students during a protest at Kent State University in Ohio on May 4th, Finch left to visit the campus. On May 13th, protestors from the National Welfare Rights Organization staged a sit-in in the secretary's office, demanding "an immediate end to the war in Southeast Asia" and an increase in the cash benefit to be offered through FAP.[70] Six days later, after experiencing paralysis in his left arm just before he was to address a gathering of concerned HEW employees, Finch was rushed to Walter Reed Army Hospital.[71]

Already strained by clashes with other officials over his department's stalwart support for school desegregation, Finch had become exhausted by the cross-pressures of the job. On June 6th, Nixon announced that Elliot Richardson would replace Finch as HEW Secretary.[72] A former attorney general and lieutenant governor of Massachusetts, Richardson had been a HEW undersecretary during the Eisenhower administration. Finch, a critical early policy force within the administration, would remain part of Nixon's official orbit as a "counselor to the president."

HMOS AND FHIP

Immediately following the Senate Finance Committee hearings, the proponents of FAP began to zero in on the question of Medicaid. A potentially massive notch effect would occur when FAP recipients exceeded Medicaid's eligibility requirements, with large numbers of beneficiaries losing health care coverage. HEW officials had not yet figured out how to address the relationship between FAP and Medicaid and indeed had not yet fully acknowledged the extent of the problem. They were, however, simultaneously working on another Medicaid-related issue: health care cost inflation. One of the cost control options that they were considering, the "Health Maintenance

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Organization," would rapidly come to play a central role in their thinking about how to address FAP/Medicaid notch effects.

Lewis Butler, HEW's point person on health policy during this period, later emphasized the somewhat haphazard manner in which administration officials came to focus on the problem of growing costs. Nixon, Butler explained, assumed office without articulating a clear health agenda. Early on in Nixon's presidency, Arthur Burns highlighted cost containment in Medicare and Medicaid as an arena in which the administration might make a mark. The administration, Butler later reflected, "didn't have a health policy. And when we didn't have one, I wrote a message for the Secretary, said there was a crisis in health care." The nation was "spending a lot of money; it was going up. But the only real crisis was that we didn't have a health policy."[73] Secretary Finch embraced the cost problem, and the administration issued a report highlighting the effects of rising demand for health services on costs in July 1969. Discussing the report at a press conference, Nixon asserted that the United States faced the possibility of a "massive crisis" in the coming years.[74]

Recounting the emergence of the administration's health strategy, Butler explained that "we were trying to have a health component to our welfare reform, called the Family Health Insurance Plan, but that was getting us into all kinds of trouble because it meant expanding Medicaid … and we just didn't have a solution."[75] In early 1970, after FAP had been introduced in the House of Representatives, administration welfare expert Tom Joe connected Butler and John Veneman with physician and health policy entrepreneur Paul Ellwood.[76] Inspired in part by health delivery systems such as Kaiser Permanente, Ellwood argued that the Nixon administration should seek to reorient the incentives of health care providers toward wellness and preventive care through fixed per capita payments and group practice. The Ellwood proposal called for the creation of what were soon termed "Health Maintenance Organizations."

The line of thought underlying Ellwood's approach reached back to the Progressive Era, when proponents of integrating public health efforts with the delivery of individual-level health services argued that fee-for-service medicine incentivized treatment over prevention and paid physicians on the basis of services rendered rather than on outcomes. Prepaid group practice, the centerpiece of the Ellwood plan, had long been opposed by organized medicine. For decades, the American Medical Association (AMA) argued that a shift away from fee-for-service medicine and toward prepaid group practice might diminish physician autonomy.[77] As health care costs grew following the creation of Medicare and Medicaid, however, the AMA had become less forcefully resistant to the concept.

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Aware of organized medicine's long-standing concerns, Lewis Butler nonetheless began meeting with Ellwood and looking for a way to integrate Ellwood's ideas with the administration's ongoing social policy initiatives.[78] The HMO approach quickly took hold among the small leadership group in HEW, including Secretary Robert Finch. Ellwood's ideas about reorganizing the practice of medicine, however, were initially viewed as "too hot for the White House to touch."[79] In March 1970, taking a tentative step in the direction suggested by Ellwood, Secretary Finch publicly proposed adding group practice options to both Medicaid and Medicare.[80]

In the aftermath of the Finance Committee hearings, FAP proponents came to view the failure to integrate Medicaid with FAP as an almost existential threat to their plans. Losing Medicaid, clearly, would represent a strong disincentive to work. "What responsible parent," Moynihan later wrote, "would earn an extra $1 if it meant $500 less in medical care for his children?"[81] Suddenly, the Health Maintenance Organization concept appeared to offer a novel solution to a vexing set of challenges. Relying on HMOs, administration officials believed they might be able to devise a replacement for Medicaid that was capable of expanding access to care, reducing disincentives to work, and controlling costs.

On June 10, 1970, President Nixon announced that he would soon propose a revised version of FAP. Taking into account the concerns of the Senate Finance Committee, the revised FAP proposal would be more fully integrated with existing welfare programs. The updated FAP would also include a "Family Health Insurance Plan (FHIP)," which the president described as a "reform of the Medicaid program." Medicaid, Nixon explained, was "plagued by serious faults." These faults included rising costs, variation across states in terms of access and services, and benefits that were "only remotely related to family resources."

The president pointedly noted that Medicaid eligibility "may terminate abruptly" as income increased, leading a family to lose "more in medical benefits than it gains in income." Like other components of the existing welfare system, the president contended, "Medicaid is inefficient, inequitably excludes the working poor, and often provides an incentive for people to stay on welfare."[82]

POLICY ESCALATION

At any given moment, policy makers are only capable of paying attention to a small number of issues out of the vast universe of potential areas of

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concern. During the Fall of 1970, Nixon administration officials began focusing on developing a strategy for completely overhauling the nation's health insurance and health delivery systems as the result of a process of policy escalation. Confronted with practical and political challenges, a cascading line of reasoning led policy makers focused on the issue of cash assistance welfare to formulate approaches for dealing with other interconnected policy areas. Attempting to harmonize their negative income tax plan with Medicaid, Nixon administration officials rapidly found themselves engaged in the development of a new and expansive "National Health Strategy."

Policy escalation was driven forward by the president's announcement of the "Family Health Insurance Plan." Weeks later, Nixon met with key domestic policy advisors at his home in San Clemente, California. There, former HEW Secretary Robert Finch, now serving as a counselor to the president, made the case for HMOs as critical to transforming Medicaid into the larger FHIP program and to containing growing health care costs. This was apparently the first time that the HMO idea was described in detail to the president.[83] Also in San Clemente, Nixon issued an executive order creating a new "Domestic Council," to be headed by John Ehrlichman. The Council would centralize the administration's unwieldy policy machinery and create a clear chain of command to the president.[84]

Ehrlichman, who himself had earlier created a "working group" on health, headed by White House lawyer Ed Morgan and including central players such as Richard Nathan and Lewis Butler, now formally requested that HEW Secretary Elliot Richardson produce a "succinct statement of the broadest policy options available to the President in the field of health." In doing so, Ehrlichman asked that Richardson consider how Nixon should be positioned on the issue of health going into the 1972 presidential election.[85]

Richardson responded to this assignment by placing FAP proponent Robert Patricelli in charge of a "departmental review group" that would "receive and review" two proposals: the Family Health Insurance Plan, to be developed by a group led by Lewis Butler, and a "health options" paper, to be developed by Assistant Secretary for Health and Scientific Affairs Roger Egeberg.[86] Brought into HEW by Butler, Egeberg was a Democrat who had served as General Douglas MacArthur's physician during World War II and who was known to have little interest in the specifics of policy planning. Butler and Patricelli, in other words, would lead the charge.

By this point, Butler had already come to view HMOs as perhaps the most viable means of controlling costs while integrating an expanded health

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insurance program for low-income Americans with FAP. As Butler's working group considered what the FHIP program might look like in practice, however, they came to focus on the potentially sharp cutoff in benefits that might occur between FHIP and the broader health insurance system. What would happen if individuals made enough money to graduate from FHIP (a program that would encompass the working poor and as a result would cover far more people than Medicaid did) into the broader health insurance system? What if they were unable to purchase health insurance on the individual market or if the health insurance offered by employers was less comprehensive than FHIP?

In October 1970, Patricelli submitted a memo to Secretary Richardson detailing the themes that had emerged out of the attempts to flesh out FHIP and its relationship to the broader health insurance system. The administration's approach, Patricelli explained, should assume that budgetary conditions would be tight in the coming years, that FAP would become law, and that the "new federalism" would continue to be an animating feature of federal policy.

A health approach grounded in these assumptions, Patricelli reported, should focus on improving "national health status by strong preventive action to reduce the demand for health services." The administration should consider taxing alcohol and cigarette use and might also tax polluters in order to finance environmental clean-up efforts and to provide proper incentives to business. Health Maintenance Organizations, Patricelli argued, offered a means of reorienting the practice of medicine away from "curative services" and toward "preventive activities." This shift, Patricelli believed, would allow the nation to expand access to care while also controlling costs.

Patricelli emphasized the escalating nature of policy development related to FHIP. Expanding Medicaid into the broader and more comprehensive FHIP program, Patricelli made clear, was unlikely to fully address the problems that the administration was concerned with. Where the logic of FAP led to questions about the status of Medicaid, reconsidering Medicaid and visualizing its replacement with FHIP raised the question of what health insurance would look like for those with more lucrative full-time employment. If middle-income workers could not expect to receive health insurance of the same quality as the unemployed and the working poor, FHIP might operate as a disincentive to work.

The administration, Patricelli argued, could not confine its "financing reforms to just the poor—something must be done for the blue collar worker as well. Not only does the current politics of health insurance demand that, but on the merits one simply cannot continue to build up government subsidies

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for the poor with the result that their health insurance will be better than what the worker gets through his group plan."[87]

This line of thought, flowing directly from the incentive-based logic that supported the original FAP idea and now apparently demanded by the administration's desire to integrate an expanded health insurance program with FAP, found eager supporters in HEW Secretary Richardson and Domestic Council head Ehrlichman. As Ehrlichman explained it in a November 1970 memo to Nixon, the president's publicly stated plans for FHIP had committed "the Administration to replacing Medicaid with an improved health insurance scheme for the poor. For reasons of politics and equity, this should possibly be expanded to the 'blue collar' population."[88]

Although administration officials initially considered a catastrophic insurance plan as a potential backstop for those who fell outside of FHIP, they soon embraced the idea of grounding an expansion of insurance in a new federal regulatory regime.[89] Under the approach that they developed, employers would be required to offer insurance meeting specific guidelines. Insurers, meanwhile, would be required to offer comparable plans on the individual market. These plans would not be able to reject potential enrollees based on preexisting health conditions. Premiums for these plans, it was ultimately decided, would be "subject to approval by the Department of Health, Education and Welfare."[90]

Health Maintenance Organizations would be at the center of this new system. As a decision paper addressed to Nixon from Secretary Richardson argued, "the Health Maintenance Organization, unlike any other proposal, gives us an organizing theme for our entire health initiative."[91] Expanding access and competing among each other for patients, HMOs would transform the way that health services were delivered, leading to improved outcomes and contained costs.

Once the outlines of this approach were developed, the administration rapidly moved toward consensus. Responding to the final products of the Patricelli, Butler, and Egeberg group, John Ehrlichman created yet another health working group. Tasked with developing a final options paper, the group was given a short turnaround time. Headed by Richard Nathan, it included Patricelli and Butler as well as representatives from the Council of Economic Advisors, the Office of Economic Opportunity, the Office of Science and Technology, and the Veterans' Administration.[92] Now working for the newly created Office of Management and Budget (OMB), Nathan had been grappling with the issues addressed by the health plan since his time on the presidential transition team.

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In a rapid turn of events, policy escalation led the Nixon administration to tackle a massive set of problems related to access to health care and the delivery of health services. The president, staying up to date via Ehrlichman, fully endorsed the logic and fruits of this process. On February 18, 1971, Nixon announced the expansive policy proposal that had emerged out of Lewis Butler's initial working group on the Family Health Insurance Plan, which the administration termed the "National Health Strategy." Grounded in a new regulatory regime, the proposal included a broad expansion of insurance for low-income Americans, an employer mandate, protections for those with preexisting conditions, and incentives for the creation of HMOs.

Although there was much to be proud of in the American health care system, Nixon asserted in introducing the proposal, there were also serious flaws. Costs were growing at unsustainable rates. Those who could afford routine medical bills nonetheless faced the threat of a financially catastrophic illness. The quality of care and extent of access to health services were highly inconsistent, and the existing system unduly emphasized treatment over prevention.[93]

Nixon made a strong case in favor of HMOs. "Under traditional systems," he explained, "doctors and hospitals are paid, in effect, on a piece work basis. The more illnesses they treat—and the more service they render—the more their income rises." This did not mean that physicians were doing "any less than their very best," but it did "mean that there is no economic incentive for them to concentrate on keeping people healthy."[94] These incentives could be reversed through a health maintenance approach, in which hospitals and physicians would be paid a fixed per-person annual price for comprehensive care. Under HMOs, Nixon argued, income for hospitals and physicians "grows not with the number of days a person is sick but with the number of days he is well." As a result, HMOs "have a strong financial interest in preventing illness, or failing that, in treating it in its early stages, promoting a thorough recovery, and preventing any reoccurrence."[95]

Lewis Butler, reflecting on the flexibility that he and his associates in HEW enjoyed during this period, attempted to explain Nixon's support for FAP, FHIP, and the national health strategy through the lens of political calculation. Embracing the policies coming out of HEW, Butler asserted, Nixon hoped to establish a palatable domestic policy brand for himself, distinct from both liberal Democrats and from more antistatist Republican figures such as Barry Goldwater. As a result of this political dynamic, Butler concluded, "everything we proposed in HEW in those days was accepted by the White House."[96]

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Although Butler's assessment offers some insights into the politics of welfare policy within the Nixon administration, it is far from complete. Nixon had stayed informed on the development of FAP and unmistakably had final say over what approach his administration would take. He kept up to date on the escalation of FHIP into the national health strategy and again unmistakably had the final say on administration policy. Notably, Nixon had shown himself to be open to a larger federal role in health insurance earlier in his career. During the late 1940s, Nixon cosponsored the Flanders-Ives Bill, a Republican alternative to Harry Truman's national health insurance proposal that would have subsidized and regulated voluntary private health insurance plans.[97]

THE POLITICAL DYNAMICS OF FAP

In retrospect, the Senate Finance Committee hearings at which Senator Williams of Delaware highlighted FAP's ongoing "notch" problems came to be viewed as the moment that the Family Assistance Plan died. Although the administration had imagined a positive and enthusiastic response, FAP encountered a complex and ultimately unwelcoming political environment. Nixon had become president with only a bare plurality of the popular vote, and he faced a Congress that remained dominated by Democrats. Congressional Democrats, meanwhile, were deeply divided on the issue of FAP. For some, FAP appeared too stingy in its benefits and overly invasive in its attempts to compel work. For others, FAP appeared to represent a federal handout of unprecedented proportions and little positive value. Republicans, for their part, offered a combination of lukewarm support, confusion, and restrained opposition. The fiscal context in the aftermath of the Great Society made many in Congress wary of large and expensive new initiatives. Meanwhile, Nixon's attempts to frame and sell FAP to Congress, the public, and his own party were inconsistent and often perfunctory.

In its first iteration, Ways and Means chair Wilbur Mills had helped to ensure that FAP made it through the House. As the Nixon administration embarked on a new FAP push during early 1971, however, Mills was already looking ahead to 1972. Considering a run for the presidency, Mills hinted that his support for FAP might become less enthusiastic.[98] Hoping to secure a victory to call his own, Mills now prioritized the politically valuable goal of raising benefit levels for the recipients of Social Security's old-age pensions. In the Senate, meanwhile, Finance Committee chair Russell Long continued to oppose FAP. In July and August of 1971, and again in January and February of

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1972, Long held hearings highlighting potential flaws in the plan. Contending that the administration's approach would disincentivize work, Long pushed his own "work bonus" program, which would offer refundable tax credits for low-income workers.[99]

As the 1972 presidential election loomed, Mills and Long shifted their attention toward passing a new set of amendments to the Social Security Act. Working with Social Security Commissioner Robert Ball, Mills and Long embraced indexing Social Security pensions to the cost of living and increasing and standardizing public assistance for the indigent elderly, blind, and disabled. The Nixon administration supported both measures. Indexing old-age pensions, the president believed, would help ward off the threat that inflation represented to seniors.[100] Nixon was also persuaded by the argument that automatic increases in Social Security payments would deprive the Democratic Congress of the political gains it had long reaped from voting to increase benefits.[101]

The liberalization and nationalization of public assistance programs for the indigent elderly, blind, and disabled had originally been proposed as a component of the Family Assistance Plan. Now, Senator Long pushed for their reform as an alternative to FAP.[102] For the administration and Congress, this emerged as an easy point of compromise. In 1972, Congress passed legislation creating the Supplemental Security Income system.[103] In 1975, Congress would pass the Earned Income Tax Credit, a direct outgrowth of the debate over the Family Assistance Plan and Senator Long's push for a "work bonus" as an alternative approach.[104]

HEALTH INSURANCE POLITICS

Richard Nixon's campaign promises did not include expanding access to health insurance for low-income families, mandating that employers offer high-quality health insurance plans, or requiring that insurance companies offer policies of comparable quality on the individual market regardless of any preexisting medical conditions. Nixon and many of his staffers came from California, where the Kaiser Permanente system offered inspiration for Paul Ellwood's Health Maintenance Organization concept. Nonetheless, a reasonable observer of Nixon's career would not have assumed that the new president would embrace prepaid group practice as the unifying thread of his approach to health policy.

Within the Nixon administration, attention to reforming the health care system emerged through policy escalation, an internal agenda-setting process. Grounded in the administration's incentive-based approach to welfare policy

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and flowing from the practical logic of the Family Assistance Plan, Nixon's National Health Strategy was nonetheless also unambiguously political in nature. Health policy, administration officials believed, would play an important role in the 1972 presidential election. Ted Kennedy, who Nixon viewed as a primary political rival, was working with organized labor to cultivate support for a national health insurance plan grounded in the contributory social insurance model of Social Security's old-age pensions.[105] Nixon administration officials were overjoyed to be able to elaborate an approach that they viewed as both more plausible and more sophisticated than Kennedy's. Kennedy, for his part, quickly denounced the Nixon plan. The health strategy, he asserted, would lead to "a windfall of billions of dollars annually" for the health insurance industry.[106]

Although administration officials expected a negative response from Kennedy and his supporters, they were surprised by the tepid reception that the health strategy met on Capitol Hill.[107] James Byrnes, the ranking Republican on the House Ways and Means committee, failed to quickly introduce the administration's bill. Instead, Byrnes expressed concern about the effects of the employer mandate on small businesses and on marginal employees, who might find themselves out of work if an employer could not cover the costs of their insurance.[108] It was not until April 1971, more than two months after Nixon's health speech, that Byrnes finally introduced the administration's bill. Before doing so, however, he added an amendment creating tax credits and subsidies for businesses employing ten or fewer workers.[109]

Met with a cooler reception than expected, the proponents of the national health strategy began scaling back their expectations. In late March, an internal memo detailed a "Proposed Health Game Plan" for the rest of 1971. Given apparently weak support for the health strategy in Congress, the memo accepted that progress would be slow. "By December of this year," it began, "a majority of the public will believe that the President can do more to solve the health care problem than anyone else on the national scene. They must know that the President is on the right side of the issue." The administration would seek to "insure that the Kennedy plan is blocked" and would focus on areas where success appeared possible, such as legislation dealing with health manpower and HMOs.[110]

By Fall 1971, officials believed that the strategy might have to wait until after the 1972 presidential election. In an October 1971 memo to OMB Director George Shultz, OMB official Bill Gifford sought to explain the prospects facing the president's domestic agenda: "Having spent the day with Wilbur Mills, I am convinced that he intends to hold up the health legislation

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before his committee to use it as a lever for delegate support from the AFL-CIO. In addition, I believe he has a revenue sharing bill ready to go which he will hold hostage until he has delegate support from big city mayors. In effect he is holding the President's program hostage in order to increase his chances for the nomination as President."[111]

Nixon sent a message to Congress reiterating the case for his health strategy in March of 1972.[112] In the months that followed, the prospects for HMO-related legislation appeared bright, with Senator Kennedy pushing his own Ellwood-inspired HMO bill. Nonetheless, there was little reason to hope that the expansion of insurance coverage and the new federal regulatory regime that the Nixon administration had hoped to ground in the HMO concept would gain traction in the near future.

In June of 1972, Mills and Kennedy issued a joint statement of health "principles and action items" that they hoped would be included in the 1972 Democratic platform.[113] Nixon administration officials viewed the Mills–Nixon statement as entirely political. Mills, according to an administration memo, had met with the president and chairman of the board of trustees of the American Medical Association, assuring them "that he was not going to do anything with Health this year and that the joint statement with Kennedy … was pure politics and nothing more."[114] Mills was working to align himself with Kennedy, and both were attempting to create the appearance of a unified Democratic front on the issue of health before the 1972 election.

HEALTH INSURANCE IN NIXON'S SECOND TERM

As it turned out, Democratic nominee George McGovern proved incapable of offering a serious electoral challenge to Nixon. Meanwhile, the national health strategy was resurrected and expanded during Nixon's second term. Where the 1971 strategy had left gaps in coverage, particularly among low-income individuals without children, the administration now sought to ensure coverage for the entire population. Caspar Weinberger, HEW Secretary during Nixon's second term, had been Deputy Director of the Office of Management and Budget under George Shultz. In this role, Weinberger had worked with Richard Nathan and assisted Shultz on the development of the final version of the 1971 health plan.[115] Now, as HEW Secretary, Weinberger revitalized the administration's efforts.

By 1974, when Weinberger finally led the push for the revamped health strategy, many of the main players in the development of FAP and in the process of policy escalation that led to the national health strategy were engaged in other endeavors. Daniel Patrick Moynihan left his position as an

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advisor to the president at the end of 1970 and as of 1974 was serving as the US Ambassador to India. Lewis Butler, a central force behind both FAP and the national health strategy, left the administration as a result of his unease with Vietnam. Butler went on to help establish the influential "Jackson Hole" health policy group with Paul Ellwood and Alan Enthoven. Elliot Richardson, who became attorney general after serving as secretary of HEW, resigned in the 1973 "Saturday Night Massacre" rather than fire Watergate special prosecutor Archibald Cox. Meanwhile, John Ehrlichman was forced to resign as a result of Watergate and later went to prison.

Nixon's 1974 "Comprehensive Health Insurance Plan," like the earlier health strategy, attempted to fill in gaps in access to insurance. It included an "Assisted Health Plan," somewhat similar to the original "Family Health Insurance Plan." However, the Assisted Health Plan would cover low-income individuals, high-risk individuals not covered by employer plans, and high-risk employee groups. The services covered would be "identical to the employee and Medicare plans." As in the 1971 proposal, employers would be required to offer high-quality insurance and Americans 65 and older would continue to enjoy coverage through Medicare. Notably, the Comprehensive Health Insurance Plan also included coverage for prescription drug costs, a feature not included in Medicare until the 2003 Medicare Modernization Act.[116] Already in 1973, Congress had passed legislation sponsored by Senator Kennedy creating federal incentives for the creation of HMOs.

By 1974, Nixon's political fortunes had waned substantially. Nonetheless, the 1974 Comprehensive Health Insurance Plan gained some very real traction. Wilbur Mills appeared generally supportive, and even Kennedy moved toward compromise with the administration.[117] Where this might have led, however, is unclear. Senate Finance Committee Chair Russell Long was skeptical of the Nixon approach and pushed for his own catastrophic insurance plan. As both Mills and Kennedy introduced legislation closer to the administration's position, ongoing revelations in the Watergate scandal rendered the president increasingly isolated.[118] On August 8, 1974, Nixon announced that he would resign, effective the next day.

CONCLUSION

Attempting to confront the "welfare crisis" through a reform of AFDC, the Nixon administration found itself engaged in a series of interlocking policy challenges that ultimately fueled a process of policy escalation. Replacing AFDC with the Family Assistance Program would have serious implications

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for Medicaid, and expanding Medicaid would have implications for the rest of the health care system and for the incentives faced by working and middle-income Americans. Ultimately, the logic of reform led administration officials to embrace coverage for low-income Americans, an employer mandate to provide high-quality insurance, a requirement that insurers offer comparable policies on the individual market, and provisions directed at protecting those with preexisting medical conditions. Nixon administration officials imagined that this new system could be grounded in Health Maintenance Organizations, making it possible to expand care, improve outcomes, and reduce costs.

Emerging out of an internal agenda-setting process, the Nixon health strategy was somewhat baffling to its potential supporters and its many opponents. Although administration officials viewed the strategy's approach to expanding access, incentivizing work, and controlling costs as a sophisticated solution to an interlocking set of problems, the Nixon plan found few political allies in the short run. Over the long run, however, the ideas contained in the national health strategy would help to reshape the debate over health insurance in the United States. Expanding access, the plan suggested, could be achieved through a combination of regulated private insurance, broadly targeted government programs, and health delivery system reforms. The Nixon approach influenced policy thinking during the Ford, Carter, and Clinton administrations and was ultimately adopted in modified form in Massachusetts.

In 2010, Democratic President Obama signed the Patient Protection and Affordable Care Act, which was based in ideas derived from the Nixon strategy. These ideas included an expanded health insurance program for low-income Americans, an employer mandate, regulation of the individual market for insurance, protections for those with preexisting conditions, and an attempt to reorganize the delivery of health services through "accountable care organizations," an approach grounded in concepts similar to the original HMO vision.

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