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REMARKS OF THE FIRST LADY
AT HEALTH CARE UNIVERSITY

Capitol Hill

11:55 P.M. EDT

Thank you very much. I am extremely gratified by this gathering and I want particularly to thank the leadership of both Houses and both parties for their graciousness and cooperation with me and those in the administration who have been working on this proposal for many months. I'm particularly grateful for the help of Congressman Michel and the leadership of the Republican side of the House and also Senator Dole and the Republican Senators. I also am extremely thankful for the good counsel and advice that I received from Senator Mitchell, Speaker Foley and Majority Leader Gephardt. I also want to thank those who put this event together. I think that it's a remarkable event that will in many ways give a boost to the confidence level of the American people that all of us -- Democrats, Republicans -- from different points of view have come together to talk about an issue that is on the forefront of the American agenda. And for this event, I want to thank Congressman Hoyer and Senator Daschle, Senator Nickles and Congressman Armev for enlisting the numbers of people that put an event like this on.

I came from the White House this morning where we had over two hundred leading doctors from around the country, come together to voice their general support for the direction that reform is moving. And former Solicitor General C. Everett Koop has agreed to take a leadership role in continuing to work with physicians all over the country, so that the kinds of concerns that Representative Michel mentioned will always be at the forefront of our consideration. I was personally delighted that not only someone like Dr. Koop, but the CEO of Mayos that heads the numerous of our medical schools, family practice doctors, specialists, those from different kinds of medicine were there this morning to say in a unified voice, "We believe in the principles that underlie reform." We may disagree about some of the details and the technicalities, but to have reached a point finally after sixteen years of effort by both Democratic and Republican Presidents, by leaders in both parties to reach a point where we are agreed that we must make changes in order to preserve what is best about American health care and to fix what

is wrong. It is, indeed, an extraordinary moment in time. And I hope that all of us will approach this opportunity in that way. There is no doubt that there is not any issue that has more hold on all of you as public stewards and members of this body. What I hope we will be able to do is to work through alot of the concerns that many of you have brought to me and to others over the past months. I have personally met over one hundred thirty times with members of Congress here in the Capitol. Others who have worked with me have added many, many hundreds of meetings to that. We have met with over a 1,100 groups of people concerned about health care. Sometimes, many, many times to work out a good approach to solving a problem. What I am struck by is the spirit that has permeated these discussions from the very beginning, which I hope will be maintained as we move toward legislation and actually implementing changes in the system.

One of the original ideas behind this gathering was to give members who had not been involved with health care a chance to ask questions and to voice their concerns. Because certainly in the many, many meetings that I have been privileged to have, I have often seen some of you many times over because of the particular committees that you serve on, and I have not seen some of you at all because of the particular committees you serve on. What we hope today, particularly, is that those members who have not been part of the ongoing consultation for whom this may be the very first meeting they have had about health care concerning the proposal and the direction we want to move in, will feel free to ask their questions and will perhaps even be willing to be given the opportunity to ask more questions than those who are so much more familiar with alot of the details. I mean, I have to confess, when I started this eight months ago, I was not in my own mind really sure about alot of these concepts. I won't go so far as to say that I didn't know the difference between Medicaid and Medicare, but I often found myself using one when I meant the other. And I think it's important that all members here who have not been involved in the health care debate, it has not been part of your responsibility, but you are anxious to learn and you hear alot about it from your constituents, feel particularly free to ask your questions and to know that even those who are much more knowledgeable because of what they have done over decades, started off where you are starting off and not to feel in any way constrained from asking whatever questions might cross your mind about what we are attempting to achieve.

What we would like to do this morning is to spend just a few minutes talking, generally about the proposal and then what I would really like to do is to have time to hear your questions so that we can try to respond to them. If we start with the idea that there are certain principles that underlie the President's proposal, then we can move from those principles to the details and technical aspects of it and talk both generally and

specifically about where we are heading.

Let me just briefly run over those principles because you will hear much from both the President and from the members of the Cabinet who are here about how there is so much room for talking through how we get to achieve certain principles. And we mean that very sincerely. We welcome the kind of advice and counsel that you are giving us on a regular basis. We know that many of you already have good questions and suggestions off of the (inaudible) that have already been circulated. So part of what we hope is that this will continue that process. The principles, though, that underlie are: number one, we have to provide health security for every American. That means two things -- it means reaching universal coverage so that every American has the security of knowing that he or she will be able to obtain health care when needed. It also means that we believe every American should be entitled to a guaranteed benefits package. And that package should be available to you as an American, not because of who you work for or whether you've ever been sick before or what region of the country you live in. And it's particularly important that the benefits package try to stress primary and preventive health care. Because in the absence of trying to stress primary preventive health care, we believe we will continue to pay more money in the long run, than we will if we take care of some of these medical problems that could be prevented before they got worse.

The second issue is that in addition to security, the system has to be simplified. It should be simplified for all parts of it, but particularly for those who actually deliver health care -- our physicians, our nurses, our other professionals. We have in both the public sector and the private sector added literally billions of dollars on to the delivery of health care. We have, by adding those billions of dollars, required doctors and nurses to spend literally millions of man-hours fulfilling bureaucratic and regulatory and private insurance company requirements. I don't know if any of you were able to hear what the President and Vice President heard at Children's Hospital on Friday, but I think this point illustrates what we are attempting to achieve through simplification. The President and the Vice President met with the staff of the Washington, D.C. Children's Hospital. As part of their effort to react to reform, they have been doing their own surveys. They have determined that for the average doctor that serves on their staff -- they have over two hundred doctors -- the kind of paperwork requirements that have nothing to do with patient records, but paperwork having to do largely with financing and reimbursing care are so extraordinarily heavy that if you could remove that paperwork from those doctors, they would have time to see, on average, an additional five hundred patients a year. Now, that is their calculation. They believe

that we have so burdened their doctors with unnecessary paperwork that we have deprived 10,000 children from seeing doctors during the course of the year. Now it's that kind of statistic we have run into time and time again in looking at this system, and can give you many more examples of it.

The third principle that comes from simplification is that we believe that there are savings in this system. Now I know that is an issue we should get into and talk about in the question and answer period, because I know that there are members who are concerned about where those savings come from, how we calculate those savings. And we do advocate reducing the rate of growth -- not cutting -- but reducing the rate of growth in both Medicare and Medicaid, and also creating incentives in the private market to reduce the rate of growth in the private sector, health care expenditures. Now one of the key issues about reducing the rate of growth in our public programs is to analyze very carefully where the money now goes. If you conduct that kind of analysis -- as not only have the people we have worked with have done, but many others out in the country have done -- it is very hard to justify the current expenditures in both of those public programs in terms of the range of cost around the country compared to the real cost of delivering health care in those same regions of the country. Let me just give you two examples: the state of Minnesota is much further along than other states in organizing the delivery of health care. So that they have many more of their citizens, than my state of Arkansas for example, who belong to some kind of pre-paid health organization, some kind of health maintenance organization, they literally have most or nearly all of their population now in those kinds of networks of health care delivery. They have many of their Medicare patients in organized health care delivery systems.

In Minnesota the average cost of taking care of a Medicare patient is one half of what it is in Philadelphia. In New Haven, Connecticut, the average cost is one-half of what it is in Boston. And you can go down example after example. If you analyze the expenditures and if you try to hold constant any variation between population, sickness... there is still no adequate explanation for those kind of differentials other than the way the systems are organized and the cost in the various systems and how they compare with one another. So our point is this -- if you look at the rate of increase currently projected for our public system, even after the recent budget reconciliation, Medicare is projected to increase at 11% for the next two years, Medicaid at 16%. Neither the Medicare population, nor the Medicaid population is expected to increase at anything near those percentages. So even if we were to say, we want everyone to have a CPI or a cost of living increase, an

inflation increase; we want to take care of the population that will be getting at Medicare eligible or Medicaid eligible, we believe that there is a significant amount of money in those systems that can be better allocated than being put into the same services as they are currently being paid for by federal government.

There's another issue here. Even though the direct administrative costs of Medicare are significantly lower than the private insurance administrative costs, the costs that doctors and hospitals incur in dealing with the Medicare system are not. So part of what we believe is that we can save money for physicians and for hospitals by better organizing the Medicare system and by integrating into the overall health care system. Medicaid recipients they should be put into an overall health care system just like you and I, they should not be identified, they should not be marginalized and we believe their health care can be delivered more efficiently and, in some ways, with more dignity than the current Medicaid system currently allows.

A fourth principle is choice. We believe that we should not only preserve, but enhance the choice of consumers to choose their health plan. The way current trends are going now, most employers provide some contribution to their employees' health care, for those working Americans who are insured. The employers make the choice. And increasingly employers are limiting the choice of their employees. Yes, you will get the insurance, but you will only be able to use Plan X, or maybe a choice between Plan X and Plan Y. We think the appropriate choice should rest of the individual, that better informed consumers will make better choices. And we also believe that doctors should have the choice as to what plans they will practice in. So we want to prevent the discrimination that is now growing up against doctors, and permit them to practice in several different plans. We think that is important for doctors, critical for consumers.

A fifth principle is quality. If were to do all that we think should be done and it did not preserve and enhance quality, we would not have made a step forward. We believe quality will be enhanced through better organization and better utilization of the money that we are currently spending. We have evidence of the fact that more efficient delivery of health care does not decrease quality, in fact, there is often no difference and maybe even some argument that you have better quality because you are serving more people efficiently. Let me give you an example, the state of Pennsylvania for a number of years, has done an excellent service to its citizens and also to the entire country by collecting information about how much certain procedures cost in different hospitals throughout the state. If you take one particular procedure that is commonly performed, the coronary bypass operation. That operation can be performed in a

Pennsylvania hospital for \$21,000 or for \$84,000 or for a lot of different costs between 21 and 84. Based on the quality analysis of patient outcomes there is no difference. Some of the people that looked at the Pennsylvania data would argue that if there is a difference, it's an advantage for the \$21,000, not the \$84,000. There is no difference in quality between those operations. And that is holding constant for the level of sickness, the age of the patient, so we're not comparing apples and oranges, we're comparing apples and apples. If there is that kind of discrepancy, which indeed there is, all over the states, not just Pennsylvania, we believe there's a tremendous opportunity for enhancing quality as we work with and educate consumers and physicians about appropriate medical care, the choices that they will make, and more efficient, quality-driven ways for achieving those outcomes. We enhance quality through this proposal, we collect information about the delivery of health care that has never been made public to people before and we will ask health plans to publish report cards so that you as a consumer can determine based on criteria that are important, which health plan you might choose.

The final principle is responsibility. This entire system needs more responsibility. And when I say system I mean everyone in it and all of us who either use it or are potential users of it. There are people, as we all know, who have never paid a penny for their own health care and really don't ever want to pay a penny for their own health care. There are people who are totally without health care and who when they finally do obtain some kind of treatment, do it at the last possible moment at the most expensive cost, which then the rest of us pay for -- through either the public or private insurance system. There are many instances in which physicians and providers make decisions which have nothing to do with being responsible, but everything to do with the reimbursement stream that is pushing them to make a decision. We have people making decisions because of the malpractice problems that aren't responsible physicians, but are being driven to do so because of their fear of litigation. If you go through this system, you can see point after point at every level of it, people making decisions that they will tell you are not the responsible decisions, but which they feel compelled to make. We must require responsibility for everybody. We have a number of features in our proposal that we think enhance responsibility. We think providing preventive health care enhances responsibility. We think financing the system by joint employer-employee contributions, building on our existing system enhances responsibility. We believe changing the reimbursement systems, the malpractice system will enhance responsibility. We believe changing the antitrust laws, some of which we announced a week ago will enhance responsibility because hospitals will, without fear of being sued be able to come together to agree to buy one cat-scan instead of irresponsibly as

they tell us going out each buying their own cat-scan because they are afraid to talk together because of the anti-trust laws. On many, many fronts we can enhance responsibility.

But let me just talk specifically about the one that I know many of you have asked about and that is the employer-employee shared contribution. When you look at all of the systems that are available in the world and the systems that are available in our country in places like Rochester, New York or Rochester, Minnesota or the state of Hawaii or what is happening in Washington and California and Florida and places like that.

There are really in general, only three ways to finance universal coverage. After you strip it all away we're going to get everybody in the system, and everybody being responsible. There are only three ways of doing it. There is a single payer approach which I know is supported vigorously by many in this chamber. It is a sure fire way of getting everybody covered because, we substitute, under the single payer approach the entire private sector investment for tax money that will fund the health care system. And the single payer proposals, particularly the most current version would do just that. It would raise about 500 billion dollars, (through taxing) and totally eliminate the costs to any employer or employee whether its insurance premiums, out-of-pocket, whatever. That is one way of financing health care.

Another approach, which is embodied in both the Senate Republican and the House Republican approach is to put the responsibility on the individual. Either through some kind of IRA or Medi-save or through an individual mandate, which is the core financing principle in the Senate Republican's approach. Similar, as you might guess to what the states have tried to do with auto insurance. Everybody has to have health insurance -- everybody has to get into the marketplace. We applaud the idea of individual responsibility that underlies both of those approaches. We do have and will continue to discuss with our colleagues on the Republican staff side and with the members, how we would actually make those approaches work toward achieving universal coverage.

We have some questions about whether or not that would work, whether or not an IRA would really help produce the kind of preventive health care that we think would save money or encourage people to hold back from care so that they could pocket the remainder. We have some issues about how we would actually subsidize the millions of people that would be needing a subsidy under an individual mandate approach, how we would keep track of them, whether you would have to use the IRS or some other bureaucracy to point them out to make sure that they (give) or don't go over their voucher level and there are alot of technical

issues that we will have to work through and analyze together.

For a lot of reasons, we believe that building on the existing employer-employee system that most people who are insured are familiar with does the least to change the existing health care system. As one of our goals, we want to make the new system as familiar to Americans as the old system. In employer-employee systems, you would still get your health care coverage from the work place. But instead of the employer making the choice, you would make the choice as to what plans you signed up for. In the employer-employee, you would not have to worry about any employer either pushing wages down so that the individual was eligible for a subsidy which would relieve the employer of that responsibility. Or even for employers beginning to back off on their insurance contributions because now the government would pick up individuals. In the employer-employer approach, we have tried very hard to be open and sensitive to the legitimate concerns of business - both big business, small business, everything in between, which is why we have constructed a system that would limit the amount of money any business - big or small -- has to contribute and particularly give a significant discount to small businesses with low wage employees under the size of fifty.

The kind of subsidy that we're talking about would enable the vast majority of small businesses that currently insure to save money. We have to, when we think about the small business community, make a distinction between those small businesses who are currently struggling in the marketplace to insure against great odds and those small businesses who have not insured, either because they did not think they could afford in the current market or they don't want to. For those businesses that do insure, the vast majority will be receiving benefits at an affordable rate that will be no more than they pay now, in most instances less.

For small businesses that do not now insure, we have a principle response, as well as a practical one. Given our current health care system, you can walk down any main street in any town that you represent. And you can point to a drycleaner that insures and you can point to a car wash that doesn't. You can point to a retailer that does a little bit, but not a lot. You can go down, as we have literally done, talking to individual small businesses looking at their books, helping them calculate their costs. The problem is that when the employee at the car wash who has no insurance gets sick, the ambulance comes and picks them up, takes them to the hospital, treats them -- we don't turn people away in this country, they get there eventually. And then the costs to the neighbor in the drycleaning store go up. Because that's how we pay for uncompensated care for the working uninsured.

For large businesses, and many of you will have a mixture of large and small like Representative Michel does in his district, for large businesses, big businesses have subsidized small businesses for years with health insurance. They've done it for years with health insurance. They've done it in several ways because they usually have picked up the costs of the uncompensated care, but in recent years they have done it directly because they insure usually the entire family which relieves the business where the spouse works from having to make any contribution whatsoever. There has been a hidden tax on businesses willing to insure for a very long time. And that hidden tax is one thing we want to eliminate. We want to eliminate free riders, we want everybody to be a part of this system, we are open to ways of doing it to (inaudible), we absolutely hold to the absolute zero level the legitimate business concerns that might result in some kind of loss to them. We want to be very open on that, but we think building on the existing system is the fairest, most efficient, most familiar way for individuals to achieve universal coverage and better insurance than they can afford now.

So those are the principles, and as I said, we believe fair financing that leads to responsibility, we can work out details but it has to make sure we get to universal coverage and there has to be these other principles fulfilled along the way. Finally, let me just say that the kind of issues that you are bringing to us are exactly what we want to hear. I have been up on the Hill in the last week ever since the policy got out, and I wish we could take credit for the fact that it is now better read than it ever would have been if we had just handed it out. There's nothing like playing secret or prolonging you people to read it. I'd like to say that was our strategy. But now that we've been up here talking to both Republican and Democrats, the constructive advice about how we all meet these principles has been very helpful and we have already made adjustments on the plan based on what you have told us. And that process, we intend to continue. So with that Mr. Speaker and Mr. Leader, I'd be happy to answer questions that any of the members may have.

END