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HMO Managed Care Policy/Cont.

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REMARKS OF THE FIRST LADY TO
THE 17TH ANNUAL HMO MANAGED CARE
POLICY CONFERENCE

MRS. CLINTON: Thank you very much. Thank you. Well, I have to confess that I am glad to be home, but it was very hard to leave. It was an exciting time, and I was very proud of our country and all the young people who were competing there. I will, like the rest of you, I will soon be as a couch potato for the next two weeks as I watch the rest of the competition. It was an exciting opportunity.

We have another exciting opportunity in front of us. We have an opportunity to compete and win in the battle over health care reform. I am delighted to have this chance to speak with you because this organization and each of you represent some of the trends in health care reform that we are attempting to build on and that we believe hold the greatest promise for the future of preserving what works in our American health care system but changing what doesn't and enhancing and building on the system that we all rely upon.

I want to begin by thanking you and thanking this organization for your cooperation with the Department of Health and Human Services on the immunization drive. Karen has just told me that something like 300 of the 350 members have already agreed to participate in this immunization effort.

As someone who has fought for years to increase our immunization rate, who has always been bewildered by the fact that even in our hemisphere, countries much poorer than our own do a much better job reaching their young children, I am confident that your assistance in this effort will make a great difference.

I also am pleased that in a spirit of cooperation, you are discussing the matters with HCFA and HHS that are of vital importance to you. That is the way this administration

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likes to work, prefers to work, bringing people around the table and trying to solve problems. So I am grateful that on both of those fronts you are involved.

This is an opportunity for me to talk with you about those areas of agreement between the administration and this association, to ask for your assistance in pushing those areas of agreement, and to talk about some of the other issues that lie before us as we work through these next months in our efforts to achieve universal health care for all Americans.

The President has been in Washington for only over a year. Some days it feels closer to 100, but the calendar says it's only one. We are pleased by many of the changes that have been brought about, the feeling that I think many of us have that a lot of problems which had been denied or ignored over previous years are finally being tackled, the sense that we are once again attempting to control our own economic destiny, and that we are giving Americans a chance to compete and win in the global marketplace.

Thanks to the dedication of millions of Americans, we do have progress to show. That was just the first year. Try to lay a foundation with things like the Family and Medical Leave Act so good workers can also be good parents, to expand the earned income tax credit to reward work over welfare, to launch a new national service initiative and a new student loan program that will help more young people from middle income families go to college and then to participate in rebuilding their community, to reduce the deficit even more than we had projected, to expand trade with NAFTA and GATT.

So for many of us who believe that change was necessary, this has been a very promising beginning to show that drift and gridlock can be broken, that a new sense of renewal and commitments can be engendered. We have a big agenda in front of us this year. We are going to be working very hard to finalize a crime bill that will be real in the lives of Americans, that will put police on their streets, use alternative punishment for first-time offenders like boot camps, try to provide drug and alcohol treatment, try to make it possible for young people to have a chance to straighten out their lives, and to bring down the heaviest possible punishment on career violent criminals.

We will also be looking to move on the President's promise of welfare reform, which is inextricably bound with

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health care reform. It is absolutely provable that millions of Americans are working every day without health care benefits to provide taxes to pay for health benefits for people on welfare. It is also true that many welfare recipients choose to stay on welfare because to leave welfare and move into a minimum wage job without benefits doesn't seem like a very good trade.

So many of these issues are tied together, but certainly there is none that is more important than health care reform. How we handle that will tell a great deal about what we are as a nation at this point in our history. I have spent over a year now traveling around our country learning about what is right with our health care system. I have seen many people come to work for the groups represented here who are working hard every day as physicians, or nurses, or hospital administrators. I have listened to their stories. I have looked into their eyes. I have come away impressed that there isn't any doubt that we have the finest health care system in the world when it comes to delivering health care, but that we have undercut our quality and our access by the way that we finance and organize much of the health care that is delivered.

So what we are attempting to do in the President's approach, the Health Security Act, is to take what works and building on that to try to set into motion incentives that will change those parts of our system that have proven to be inefficient and undermining of the quality of health care.

There are several parts to that, and it is especially important to me that the administration and GHAA share in common the following goals for health reform. These goals, if they can be reached, will largely determine whether or not health care reform has been achieved. It is these goals we ought to be keeping our minds focused on.

The first is universal coverage with comprehensive benefits. Many people have asked me in the last several months what universal coverage means. That's not a term that is common in most American's language. What the President has said repeatedly is that for him it means guaranteed private insurance. It means that the insurance available to all Americans will always be there, will not be taken away, will not contain lifetime limits, will not be offered on the basis of preexisting conditions or age as a device for rating insurance to be more expensive for some Americans than for

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others.

The only real way to determine if we have achieved health care reform is to know how we will be able to guarantee that every American does have that private insurance. Often I'm asked, "well, what else does the President really believe is important?" Well, he believes many things are important, but his bottom line is guaranteeing private insurance.

Now, what does that really mean? It means that there has to be some mechanism in place for financing universal coverage for guaranteed private insurance. There are only three ways to do that. The first is that you can, as many countries have, raise a big tax and use it to replace any private sector investments, and to have the government basically run the health care system. Sometimes it's referred to as a single payer system.

That is an option that the President rejected. It is one of the more inaccurate claims made by some who say that the President's plan is a government plan. The President's plan is a mixed plan, as our system is today. Medicare in the government program, there will still be those who are among the very poorest who will be subsidized. There will still be public health facilities. By and large, most Americans will receive their insurance the way they do now, through their employers.

So, if you do not raise a large tax, then what is left for alternatives to achieve universal coverage? There are only two. One is referred to as the individual mandate. The individual mandate would require individuals to go into the marketplace, assuming a reformed marketplace or at least a subsidized marketplace, to purchase their own insurance. This at least recognizes that in the absence of some mandate -- on the one hand, either a tax, which is an obvious mandate, or on the other, an individual or, as we would propose it, an employer/employee requirement, that there has to be some requirement for everyone to get into the system in order for universal coverage to be achieved and cost shifting to cease.

The individual mandate, therefore, at least recognizes that absolute precondition for universal coverage. What it does, unfortunately, is create some additional problems, at least as we analyze them. It makes it very

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difficult to determine and monitor who is in the system and who is out. It would require tracking individuals as they moved in and out of jobs, as they move in and out of the insurance market, and it would, if you provided a subsidy scheme to support low wage individuals, a determination as to when their income reached some arbitrary level as to what kind of subsidy they would still be entitled to. It would require and argue the IRS to engage in an enormous administrative oversight of our health care system.

It would also lead to the very unfortunate circumstances of having a cut off for the subsidies. So that, say, everyone below 200 percent of poverty with an individual mandate would receive some sliding scale subsidy. What, then, do we do with those at 201 percent? What do we do with the low wage workers who currently receive some or all health care benefits through their employers? Wouldn't employers, looking at this rationally, say to themselves if I am currently paying benefits for this population group and now the government will subsidize them. I will drop them from my benefits packages, therefore increasing the pool of workers who would therefore require subsidy, a very difficult task, in our view, to both project the cost of and to keep up with administratively.

The only examples we have of individual mandates are those like auto insurance requirements in many states where in spite of the fact that the state has access to all drivers through the licensing process, literally thousands and even hundreds of thousands of drivers remain uninsured in states with such an individual mandate.

If you do not want, therefore, a state financed health care system, and if the individual mandate poses the kind of administrative and equity and cost issues that we believe it does, then from our perspective the sensible approach is to build on the employer/employee system that already serves 100 million Americans.

If you look at what is possible in terms of subsidizing businesses at a rate that would be joined to their employment level so that the smaller they were the more low wage workers they employed, the larger the subsidy or the discounts they would receive, it is a much easier administrative task to keep track of those businesses which already process other government requirements, such as the tax which pays for medicare.

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If you have a reformed insurance market in which costs are brought down through the use of pools of purchasers, whether they're called alliances or HIPCs (phonetic), or whatever one calls them, so that small businesses and solo entrepreneurs can compete for the same cost of health insurance with the largest businesses, then the discounts become a relatively stable investment in the whole health care system.

If you believe, as the first principle of this association states, in universal coverage, then I hope you will help us with the employer mandate. The employer mandate is the key to achieving universal coverage. Without the employer mandate, we will continue to tinker around the edges and not provide universal coverage.

The second part of this goal is comprehensive benefits. The President's plan is one of the few that outlines the benefits. A number of the competing alternatives talk about creating a national board that will, at a future date, determine the health care benefits.

This strikes us as the wrong approach for at least two reasons. The first is that legislatively and politically it seems difficult to explain to the American people that Congress would have passed a piece of legislation that promises you insurance but doesn't tell you what you're buying. The second is that in the absence of determining what the benefits are, it is impossible to assign any actuarial value and then to determine what subsidies or discounts in any approach one would choose would have to be.

So, for both the political and the substantive reasons, we think the better course is to determine on the front end what the health care benefits should be to establish a national board that in the future would review possible additions or exclusions as we gain more experience, but that we have to, in good faith with the millions of Americans who currently have insurance, be able to tell them what health care reform would mean to them with respect to a comprehensive, standardized package of benefits.

If you share our belief that we should be setting the benefits, even if you might disagree with what those benefits should consist of, I hope, again, you will express your opinions about doing that. It would strike me that it would be impossible for you to sell your packages of benefits

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if you didn't list them, if the way you tried to market to your consumers was to say trust us, we're the greatest HMO in the region, you buy, we'll tell you later what your benefits are. That's, in a sense, what many of these members of Congress want the American public to do with health care reform legislation.

Your second goal, the elimination of preexisting conditions exclusions, is one that we share completely. We would add to it that we would also eliminate lifetime limits and eliminate experience ratings based upon age. The third goal, the annual open enrollment, is part of the President's plan. The fourth, that it would be patient choice of plan, is very important to the President's approach.

A number of the other alternative offer the possibility of enrollment but with penalties. If you do not enroll in the lowest cost plan in an area or if you do not enroll in the lowest cost in the lower third of the plan in the area, then your employer and you lose whatever tax preference you would otherwise be entitled to.

We have a difficult time, again, figuring out what will be the mechanism for determining in 50 states and literally hundreds of regions what is the lowest cost plan on a year-to-year basis. If you are selling a plan that provides more preventive health because you really believe in it, and one of your competitors is selling a plan which claims to provide preventive health, but if you read the small print, it doesn't provide as much as you do, but they're able to offer it at five dollars less a month, then your potential customers are going to say to you, "if I choose your plan, I lose my tax preference. I'm going to use your competitor's plan."

You're going to say, "but we're not comparing apples to apples. We're comparing apples to oranges. We think we've got the lowest cost plan for the benefits that will be provided." They're going to say well, "all I know is the law has said I'm going to lose my preference and on paper, the other is the lowest cost plan. I can't take a chance." Who will arbitrate that? Who will make that determination?

We think there is tremendous danger in the kinds of comparisons, and the monitorings, and accountability, and gaming that will occur if we try to finance health care

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reform by removing tax preferences and pushing everybody into so-called low cost plans when, for millions of consumers, they're not going to be able to make the difference. Many of you will be forced to make decisions that you don't think are necessarily in your customer's best interest to try to fall under some arbitrary line that has been established in a piece of legislation. We think this is one of the most dangerous and threatening aspects to health care reform.

So we would argue strongly that patient choice of plan should mean just that. You compete, as you are now doing, on price and quality. You offer the comprehensive benefits package however you best can present it. A customer of yours, because your charges are slightly higher than a competitor's, even though you think you are delivering better quality, is free to make that decision without tax penalty.

The final goal which we share is quality reporting. This is key to everything we hope to be able to do in health care reform. In the President's plan, there will be some new requirements for quality reporting, but they are similar to what you as an association and you individually have already begun to do.

It will be important if we expect consumers to make cost conscious decisions for them to have good quality information. We want to use linkages between providers of care such as youth, and academic health centers, and teaching hospitals, and the government at both the federal and state level both to collect but more importantly to translate and provide in easily acceptable terminology information about quality. So when those open enrollment periods come, each consumer feels comfortable making the choice that they think best fits their families.

Now, if one takes each of those goals on which we already agreed, there is an enormous amount that can be accomplished if we could achieve just those. For us, universal coverage with comprehensive benefits is the most important part of health care reform, more important than many of the other details that are going to take an enormous amount of time and energy in the American political scene in the next several months as people argue and debate over them.

If we do not honestly acknowledge that the only way we can achieve universal coverage is by having some kind of required financing mechanism, then everything else we do, no

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matter how it is described, will fall short of what should be the minimum achievement this year with health care reform.

I want to mention just a few things about some issues that we need to work through together and that I hope you will be part of an ongoing consultation and advisory group with us, because what we believe will best help the American people and begin to dampen the rhetoric, cut through the ideology, and spend our time looking for ways that will actually lead us to a consensus.

I know that many of you are concerned by the kinds of charges and attacks that have been made of managed care in the last several months. In fact, the ads that have been run over the last months against the President's Health Security Act, which have introduced us to Harry and Louise, are a pretty unveiled attack on managed care. It's not very subtle, is it? In fact, that has been one of the primary devices used by the opponents of health care reform in general.

Make no mistake, many of those who are attacking this plan on the basis of the failures or the alleged failures of managed care, they try to have it all ways. On the one hand, we're going to try to push everybody into managed care. On the other hand, we're going to have the government run it. It makes no logical sense, but those are two emotional hot buttons that keep being pressed.

What the idea behind that often is is that no reform and no change is what the real agenda happens to be. I think we have to acknowledge that. One of the ways to do that is to get out good information about the successes of managed care and to be honest about the problems that exist that your organizations are working to overcome.

You know that there are those who believe that there's an accepted reliance on gate keepers, that there is what is often called heavy-handed utilization review techniques, and that there are restrictions in providing patients with opportunity to see physicians outside the HMO.

For all of those criticisms, there are many positive trends that you can point to that you should be trumpeting much more effectively than I think is currently happening, because the positive trend far outweighs the negative problem.

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We know, for example, that the fastest growing managed care systems are those that are giving patients more choice and more opportunities to see physicians outside the HMO network. That should be something that you talk about. We also know that the increasing reliance on team work, improving the cooperation and communication between nurses, and primary care physicians, and specialists, and hospitals are really producing positive results. Programs in your organization recognize that cost control require a parallel commitment to better health outcomes and ongoing quality improvements.

So if you can recognize what are the kinds of attacks that are aimed at managed care for what they are, a desire to obstruct and derail reform period and to maintain wherever possible the status quo, including a status quo that undermines many of the innovations that you have tried to bring to the health care market, then you will have a very strong voice in trying to reason effectively both with the Congress and with the American public.

There should be, in my view, advertisements running that show the high level of satisfaction in most HMOs, that what you are doing is providing health care that people are feeling more and more comfortable with, that they're moving into at faster and faster numbers because they recognize the kind of management that you provide is useful to them.

This cuts across all demographics. Many of the experiments in managed care for Medicaid patients that some of your organizations are involved in are having excellent results. Some, as you know, are not. We need to be honest about talking about the successes and the disappointments but showing how in this very fast moving industry you are part of, you are learning every day from the problems and difficulties of trying to provide better care in a managed environment for all of your patients.

Your policies emphasizing preventive care are ones that Americans agree with overwhelmingly. Many Americans don't know that that's one of the real hallmarks for managed care. Managed care, as you know better than I, has real regional appeal in some regions and is practically off the radar screen and not existent in other regions. One of our challenges will be talking with members of Congress from states other than places like California or Washington about managed care. They won't believe the TV advertisements

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unless you are aggressive in telling them what managed care really can --

So part of what I would ask you to do today is in the months ahead to be a voice for effective quality managed care, to talk about what you are achieving, to acknowledge honestly your problems. I don't believe in papering over any piece of reality when it comes to this. There's too much at stake.

Many of you have learned over the years how to deal with even those problems effectively, to use a gate keeper as a gate opener, for example, to expand preventive care further and further year by year, such as this immunization effort, to make managed care attractive to the Medicare population so that they too see the advantages.

That's a story you have to tell because even though the numbers of millions of American who are in some way involved in managed care look very impressive, it is still a largely regional phenomenon that you have to help us then spread the word to other parts of the country.

There will be differences as we move through this about alliance size and alliance authority and discrimination and the other things that you have raised about that. There will also be issues about how to get effective cost containment, whether premium caps are a good idea, whether they are or they aren't, what other devices could be used to try to make sure that when we start pumping billions of dollars more into the health care system, that we will get our money's worth.

Probably one of the biggest myths of all is that we're going to, in some way, begin to cut into the basic health care when, in fact, if you add all the currently uninsured with their employer/employee contribution, you are talking about an increase of about 50 billion dollars. You are talking about moving our GDP percentage spent on health care from approximately 14-and-a-half to 17-and-a-half percent. We are talking about putting a lot more money into our health care system, and we try to get savings out of it.

So in order for that money to be well spent in the eyes of those who eventually pay the bills, whether they be businesses or individuals or government, there has to be some kind of cost containment structure built in. But those are

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issues that we are open to discussing with you. We will need your help and we want your help.

I think you know, as well as those who worked on the administration's plan, that in the absence of real health care reform, what will probably happen is something along the lines of this scenario: increasing budgetary pressures will force further and further cuts in the rate of increase in Medicare and Medicaid, the downward pressure on the crisis in those government programs will put at further risk many of the facilities that you rely on, many of the physicians that are part of your networks, which will, in turn, create greater incentives for cost shifting.

The continuing downward pressure on benefits and layoffs from the largest corporations will leave more and more Americans uninsured or underinsured, which will push them into seeking care later, often at the most expensive point of entry, the emergency room, which will create even further incentives to shift cost onto the backs of the primary payers who are still basically funding the system.

The vicious cycle of those falling into the public programs that will pay less and less, making it more and more difficult even for you to shift costs elsewhere, will only accelerate. We will therefore be spending more and more on less and less health care.

For those who think there has been a respite from the inexorable price increases, those kinds of economic scenarios starting with budget pressures at the federal and state governments on the public programs will explode whatever price restraints have been achieved in the last year or two. That doesn't have to happen and it won't happen if you help give leadership to what you know works in providing health care.

Don't underestimate how difficult it will be because we've been down this road before. Democratic and Republican presidents since Franklin Roosevelt have tried to achieve universal health care and they were unable to do it; Roosevelt and then Harry Truman, Johnson with Medicare and Medicaid which took care of the very poorest and our elderly, Richard Nixon with a program that is remarkably like the one that the president is proposing, building on the employer/employee system, and Jimmy Carter, others, have tried.

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I think that the pressures today, both for economic reasons and moral or ethical reasons, are going to overcome the political opposition. But we want to be sure we do this right. In order to accomplish that, we need to combine wisdom and experience of your association and each of your individual organizations.

We want you to be partners in ensuring that finally Americans have health security and can feel good about having their needs met in a reformed health care system. Thank you very much.

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