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REMARKS BY THE FIRST LADY  
AT STATE LEGISLATIVE CONFERENCE

George Washington University  
Washington, D.C.

MRS. CLINTON: Thank you very much. Those of you who have not previously been acquainted with President Bolger, I hope now you know why he is the longest-serving President of the Senate of the Commonwealth of Massachusetts.

I am grateful for this invitation from the University and the Foundation, and particularly pleased to see not only legislative leaders from all over the country, but students and others associated with this university which has a particular emphasis on health care reform and whose faculty has been very helpful to us in the process of the last months in working our way through the many difficult challenges posed by the requirement the President imposed upon us, which is to come forward with a plan that could serve as the basis for making it possible to say in this country that we did provide health care to every American in an affordable way that guaranteed quality now and into the future.

This has been an extraordinary process. And it has involved literally thousands of people, not only those here in Washington, but from throughout the country -- those who minister on the front lines of health care, in our hospitals, our hospices, doctors and nurses and technicians; those are who the recipients of care, the patients, with all of the myriad of problems that we have come to recognize; those who have preexisting conditions for whom insurance is either impossible or out of reach financially; those who want to take more responsibility for themselves, but find it very difficult to figure out how in a system that doesn't stress or even require responsibility from all of its citizens.

We have talked with legislative leaders and governors in every state through your representatives and in person. We have talked with businesses, those who provide insurance; those who are worried that they will no longer be able to do so because of the costs imposed; those who have had to drop it; those who see their employees suffering under the extraordinary financial and psychological burdens of facing health care problems without any financial security.

I have traveled throughout our country. I have sat and talked with men and women who have worked hard for a living for years and years often for the same company, and yet cannot find their way into the insurance market. I have talked with physicians who treat our most vulnerable populations and who tell me repeatedly that a sensible health care policy would not only be humane and moral, but economically significant because we could prevent problems before they deteriorated.

You all know the stories that are legion that have brought us to this point. And what I hope we will do as a nation in the next months is not just to continue talking and wringing our hands, sharing the anecdotes, worrying over the future, but to roll up our sleeves and together solve the problems posed by a country that spends more money on health care than any other in the world yet does not provide quality, affordable health care easily accessible to all of its citizens. That is the framework into which I hope we will move the debate.

I have been gratified by the outpouring of involvement from people in all walks of life and all political persuasions. In my consultations that have gone on repeatedly since last February on the Hill, I have found an extraordinary range of interest and support from both Democrats and Republicans. And I am particularly grateful for those members of Congress in both parties who have moved beyond rhetoric on this issue, who have been willing to get into the very difficult detailed analysis necessary for us to make the right choices.

Let me start today by outlining for you what we view as those principles that we wish to retain and stand upon as we move forward into the final details of the blueprint that the President will be presenting and what will be guiding the administration in its continuing negotiation with members of Congress and others who are dedicated to achieving the kind of result that I think all of us would like knowing how difficult that will be to do.

We intend to stand by six basic principles. First, security. Every American should have health security regardless of where he or she works, whether or not he or she has ever been sick before. Regardless of any circumstance, that person should know that they are entitled to having their health care needs met. That requires that we achieve universal coverage in America, not just universal access with continuing financial barriers, but coverage that actually will result in access being realistically available to every American.

Now when I talk about health security, I am not merely talking about those nearly 40 million Americans who currently are uninsured. That is a significant issue that has to be addressed. Most of those Americans who are currently uninsured, 85 to 90 percent are workers and their families. Those are the people that I met in places like New Orleans, who had worked often 15,

18, 25 years for a firm; and at the end of that length of employment were making \$15,000, \$18,000 a year; could not afford in the current marketplace health insurance and yet had health problems that were often then either unaddressed until they deteriorated or which left us paying the bill because services would be delivered, but there was no insurance and the people were not eligible for public financing so the costs were shifted onto us.

In addition to those nearly 40 million uninsured, there is a significant portion of the population that is underinsured -- insurance policies that don't pay for primary and preventive health care -- a very pennywise and pound foolish approach to health care. Why don't we pay for the well child physical exam, for the mammogram, for the pap smear instead of paying for the operation or the chronic debilitating condition? If we can shift our focus to primary and preventive health care while we provide security, we will not only be taking care of health problems earlier, we will be saving money.

I will never forget sitting down, talking to a woman who was a bookkeeper for this company in New Orleans, who said, "I try to be a responsible person. I go every year for a physical exam. I pay for it out of my own pocket. This past year I was told by my doctor that he found a lump. I paid for the mammogram. I was referred to a surgeon. The surgeon said to me, if you had insurance, I would biopsy it; but since you don't, we will watch it.

Imagine how you would feel if that happened to you or someone in your family. But imagine further what will happen when that woman, if she does, God forbid, develop cancer, does get the treatment that even the uninsured get, and we pay for it instead of paying for something easier for her psychologically and physically that will save us all money.

But security is also not just about the uninsured and the underinsured. Security really is about all of us. Any one of us who is currently insured cannot predict how much that insurance will cost next year. We cannot predict if we are employed and the employer pays some or all of our insurance, even whether that employer will continue to do so; whether that employer will be in business; whether I will be laid off. There is no security even for the insured in this system. So when we talk about security, we are talking about making sure we provide health care that is always there for every American. That has to be a bedrock principle. And the sooner we can achieve that, the more we will be able to control the costs in the entire system.

Now security also means that every American should have access to a guaranteed benefits package that sets forth what they are entitled to with respect to health care. And it is our very strong belief that benefits package should emphasize primary and preventive health care. We are very committed to that. We want

people to seek care earlier to get problems taken care of more cheaply. We want more physicians and nurses and others providing primary care instead of taking care of conditions that can only be treated by more expensive specialty care.

Second, we want a simpler system. You know, I have heard many discussions about how complex reform will be. I sat down a few months ago and tried to write out what our current system is. Try that sometime. Sit down and try to write out what is America's health care system right now. Describe who gets what benefits under what circumstances and what insurance markets according to what underwriting practices, who gets financial help from the government and who doesn't. Just write it out. And if you can write it out and think you've totally described our system, please send it to me, because our current system is a nonsystem. We do not have one that can be described in any simple term to anybody. We have a patchwork that has grown up kind of willy-nilly over the decades and which has gotten increasingly more difficult for people to understand.

I won't embarrass anybody by doing this, except myself, to say how many of you have every actually sat down and read every word in your insurance policy when you signed up for health care? Very few people do. This is a system that has gotten out of control for the average American. We want a simpler system that people can understand. And it is not only going to be simpler to understand, it must be simpler to administer. There is no reason why this country should be spending the amount of money we currently do on administering a system that not one of us can adequately describe.

If we take seriously simplicity, then what we want to do is to take our existing system, which does provide health care now for most Americans, although without the security that I think should be there, and we want to begin to take away from it the complexity and the insecurity, but to keep what is good about it, the best health care in the world, if you can get there and pay for it. We all know that. But what we want to be able to say to Americans is, this system is an American solution to an American problem.

We intend for you to continue to pay premiums for insurance and we intend for you to choose your health plan, but we will make you better informed consumers in this simpler system. And we will cut from it the kind of administrative costs that only add to our financial burdens in providing health care.

Third, we want choice for consumers. We want individuals to be able to choose, to make an informed choice about the health plan they intend to be part of. What we currently have in this non-system that we are all laboring with is an increasing trend toward limiting choice. Employers make the choice for most individuals in insurance plans that are employer/employee based. Employers are being driven more and more into making those

choices based on bottom line considerations. Individuals, whether they have first dollar coverage or make some contribution, have no stake in making cost-conscience informed choices.

In the system that we are proposing, there will be large purchasing units that will be available for the premiums to be paid into. Health plans will be bidding for the right to sell their health services to individuals. Each individual, not the employer, but the individual, each year, will choose from among the health plans in his or her region. So I, as a consumer, will be able each year to decide do I want the HMO. Granted, it will be cheaper for me. They can deliver health care more cheaply in this model. Or do I want a PPO, or do I want the fee for service network that will be mandated to be available in every region. Or maybe an as-yet undeveloped form of delivering health care because we want the market to help create new and efficient ways of delivering health care.

And then the next year, suppose I enrolled in one group, and I decide that for whatever reason I'm not satisfied, then I, not the employer, not the government, I make the choice to move elsewhere. There will be some financial considerations that I will take into account, that I will decide whether I wish to spend more of my share of the 20 percent premium on the cheaper, the average, the more expensive form, but that will not be a choice dictated by anybody else. It will be made by the individual on his or her experience. And over years we will begin to have consumers who know about health care and take responsibility for it because of choice being theirs to make.

Fourth, there will be and will have to be savings in this system that can be better utilized. This is one of the most misunderstood aspects of health care in America right now. We are currently spending around \$900-plus billion. That translates, for all you policy wonks, into about 14 percent of our Gross Domestic Product. There isn't any other country even close. The closest is Canada with about nine percent. Most of our other industrialized competitors are between eight and nine percent. They deal with cost pressures. They deal with technology and demands from populations. But they have a better base from which to make those decisions because they are not already spending so much money in such a disorganized way.

If we do nothing, if we just throw up our hands and say oh my gosh, good try, but just like Franklin Roosevelt and Harry Truman and Lyndon Johnson and Richard Nixon and everybody else, we just can't deal with this problem, it's just too much for us, then we can look forward to spending increasing amounts of our out of pocket wages on health care. We can look forward to having 20 percent of our Gross Domestic Product by around the year 2000 being spent on health care without insuring one more person, without assuring security, without changing the system

toward primary and preventive health care. The status quo in this instance is not static.

Now what do we do with the amount of money that we currently spend? Well, we spend some of it from state and federal government revenues for Medicaid and Medicare and additional services that the government provides. We spend some from the employer/employee contributions that make up the bulk of the financing. But much of that money goes to propping up an inefficient system. We believe that there is the capacity to reallocate the money in both the public and the private sector in efficient ways that will enable us to reach universal coverage and do so more cost effectively.

Now many of you have read in the newspaper in the last few days that we believe there are additional savings to be realized in both the public and the private sector. We do believe that. In both the Medicaid and the Medicare systems; even after budget reconciliation, the rate of growth in both of those systems was 16 and 11 percent, respectively.

Now if you are continuing to grow a public program at 11 percent, when your population, particularly your elderly population, is not growing that fast on an annual basis; when it is far above our current rate of inflation; and even allowing for differentials and the cost of delivering services, that is an enormous amount of money on a very large base. We think in both the public systems, you can reduce the rate of growth. We are not talking about cuts. We are talking about reducing the rate of growth to inflation plus, population, plus some give.

But even cutting that in half, from 11 to 5.5 percent to 6 percent, when we are also in the benefits package we are proposing, adding prescription drugs for the population, including the Medicare population; adding a long term care commitment, so that we can begin to build up a home-based and community-based infrastructure that will roughly relate to the amount of money by which we are reducing the rate in the growth of those programs, that seems to us to be a more efficient way and frankly a better deal for the recipients of those programs because there is savings to be realized in there.

You've heard a lot of talk, a lot of loose talk frankly, about capping entitlements for deficit reduction. But if all one did were to cap entitlements in Medicaid and Medicare for deficit reduction without doing something about the whole system, particularly what happens in the private sector, you would have an explosion of cost shifting in the private sector put on the backs of the states, local governments, and employers, which will further increase in security because those costs cannot be handled. So what we are advocating is reducing the rate of growth using most of that to provide new benefits and at the same time beginning to provide some budgetary framework for the private sector as well.

Now those are not easy concepts, I grant you that. But stop and think about how much money we are already spending, about our public system's growing at 11 and 16 percent a year with very little understanding of how we can better utilize that money.

I was home in Arkansas a few weeks ago and a friend of mine who is an ophthalmologist came to see me and he brought with him two bills. And he said, you know, I've been following what you've been doing and I'm very committed to it because I have become more cost conscious; and I understand now what the President has been saying all these years about the need to get savings out of the current system that can be better utilized. Those two bills were for the same procedure that he performed on two different patients, using his nurses, at two different hospitals in Arkansas, 10 miles apart, neither of them a teaching hospital, neither of them having any particularly special needs for larger reimbursements than others. But even saying that one did, the difference in the hospital bill to his two patients was \$1,400. One patient was billed about \$900, the other was billed \$2,300.

He laid those bills in front of me and he said, "I performed the surgery; I brought my nurses; I prescribed the same kind of surgical supplies; I had the same procedures run. He said, I've looked closely; there might be a little difference -- maybe \$100 or so difference -- but there is no way to account for this discrepancy in the service that was given to the patient. Medicare and the secondary carrier paid both without a question.

Now, in the public and private systems there has to be some budgetary framework. But we cannot -- and let me repeat -- we cannot just reduce the rate of growth in Medicaid and Medicare and expect to have a system that will perform efficiently. What we are proposing is that we set a capitated rate in states and regions within states, and we permit the private sector, through the market, to bid on these health plans. There may be some variation between plans because the cost starting out may be higher in one region than another. And what we do then is to have a budget as a cap or a discipline over the private sector that will not have to even be invoked or enforced if the market works the way we all believe it should.

Those of you from Florida know that in the recent bidding in the health care plans that are being set up in Florida on regional basis, the bids came in considerably below what the prognosticators had predicted. We think that is the way to keep these two systems in balance. So the savings that will be realized from budgeting both systems and from beginning to squeeze out the administrative costs, being much tougher on waste and fraud and abuse, being able to find that out -- right now there are so few incentives for providers to turn in what they consider to be practices that should be stopped. Now, in a budgeted system there will be every incentive to be more efficient and to keep an eye on what the bills are, because it

will all come out of the same pool. And people will have to make more realistic allocations of how they deliver health care.

Fifth quality: You cannot have a reform system that does not not only provide for but require quality standards and quality outcomes. That is a statement that I think everybody would agree with, but we need better ways of making it happen. We need better information.

I have been particularly impressed by what some of the states have done in collecting information about quality outcomes. A couple of states have for the last several years gone into their hospitals and collected information about procedures and then compared outcomes.

And the most striking conclusion to me from several of those states is that if you take a procedure, take a coronary bypass, it will be charged to the patient, and therefore either to the insurer or to the public sector, at a range that is literally thousands and tens of thousands of dollars. You might have a coronary bypass in one hospital in a state costing \$20,000, and a hospital down the road or across the state costing \$60,000.

And when outcomes have been carefully compared, the more expensive operation doesn't necessarily have the better outcome. But if there is no budget, if there is no incentive to make good decisions about how procedures like that can be performed at high quality with good outcomes, more cost effectively, why should the second hospital worry whether they charge \$60,000? Or in the case that my friend in Arkansas, \$2,300.

Quality has to be the key to everything we do. We have to ask ourselves, will this be good for patients? Will this be good for physicians, nurses? Will this make quality better? I will not want a health plan that you can't answer that question in affirmatively. The federal government and the state government will have to take more responsibility for collecting information about quality and for disseminating it, so that both physicians, hospitals, providers, patients, all of us know so we can make more informed choices.

I'm very excited about some of the proposals that we will have for quality because the kind of quality we're talking about will change the way we practice medicine and how we take responsibility for ourselves.

And that is the sixth principle: responsibility. We want everybody to take responsibility for their own health. That means we want everybody in the system contributing to it. We have looked at a number of ways of financing this system. There aren't any real secrets, there are only a couple of different ways of going about doing it. We could move toward a single payer system where the government would raise taxes to replace the private sector investments and take over the financing of

health care. There are a lot of qualities about single payer systems that are important: universal coverage, administrative simplification, provable savings, that we think we can get in our plan, as well.

But it seems both substantively and politically hard to imagine that we would replace all the money that's currently in the system and create a government funded one. And so for a number of reasons, that is not the way the President chooses to go.

There are also variations on individual responsibility, where individuals are required to buy health insurance, whether it's through a Medisave or an IRA or some other approach. And we've had a lot of very constructive conversations with those members of Congress who believe that that is the route to go. We have some differences in how that would work, and we are continuing to discuss and consult with them. But our fear is that if we only had an individual mandate, like auto insurance in some of your states, there would be two adverse consequences that we can't figure out how to get around.

The first would be that for many people for whom insurance is currently unaffordable, the fact that they would be individually mandated to do so will not make them go out and do it. And even with subsidies, which is part of, at least, one of the plans that is proposing this, it's difficult to know exactly how we would get the subsidy level at the right point in order to support that kind of individual requirement.

The second problem, and one that deeply troubles me, is that in an individual mandate, all those employers who are currently providing insurance would no longer feel compelled to do so. So at what level would we see an increase in the uninsured? Because if you're out there providing insurance now and we pass an individual mandate, how do we prevent people from shedding employees off of their health insurance or never offering it in the first place? And then how do we subsidize increasing numbers of people who would be thrown into the marketplace?

Those are difficulties we have that we don't quite see how to get around in order to get to universal coverage, which we think is essential.

The third way, in general, is to build on the system that we have, an employer-employee based system in which everyone is responsible for contributing. Right now we have a lot of free riders. You can walk down the main street in any town in any of your states, and you can go to the business that is providing insurance in whatever degree it's providing it, and next door, the one that isn't. But when the employees of the second store get sick the ambulance comes for them, the hospital takes them in, the doctor comes to their bedside, the nurse provides the therapy that's required, and then they walk out of the hospital.

And maybe they can pay something, and maybe they leave a big bill that they get sued over. But the bottom line is that there is more uncompensated care in that hospital, which then gets shifted to the rest of us who pay, and then gets picked up by the public sector in some way as well.

It's just fundamentally unfair that some businesses have borne the burden for the health care system and others haven't. Now having said that, we need a system that is fair. We need a system in which everybody takes responsibility, everybody makes a contribution, but they do it in an affordable way. And what we believe should be done is that low wage workers and small firms should be subsidized so that they are able to purchase insurance in a reformed insurance market. You can't put them out there in the market as it is now and say, go get it; they couldn't afford it. But where we have large purchasing alliances, they will be able to afford it. And they will therefore make their contribution.

We also believe people on Medicaid and Medicare who work should make a contribution. We think everybody needs to know that their health care is their responsibility. But if we establish a system in which we protect small business you will see two things happen. For most large businesses who have borne the cost of health insurance in many regions of the country, their costs will drop dramatically because we will cap the amount of money that any business has to pay for health care. And we will cap it significantly below what the average employer pays now.

So imagine, if you will -- and go back and talk to employers who provide insurance -- how much they are currently paying and how we will lower their costs. We think that will be an economic stimulus, because if you no longer have to pay as some do, 19 or 20 percent; as most do, 13 to 14 percent; as many do, 10 to 12 percent; and instead have to pay no more than 8 percent, that's a lot of money that can go into wages, profits, investments in this country if we get the burden of health care off the necks of the employers who are currently paying.

And if we say to small businesses who have been paying, you will get the same break, and then we say to all of those businesses who have not paid and all of those employees who have not contributed, we expect you to make a contribution but we will cap how much you have to pay and subsidize you so that it is not financially burdensome to you. And we will say to the self employed, we will give you a 100 percent tax deductibility for health insurance. And we will further say to business, we will roll in the health care part of worker's compensation into this health plan; we will roll in the health care part of auto insurance into this health care plan, I don't think there are many businesses -- if they get beyond their ideological opposition to having to do it, who if they look at the bottom line and project costs into the future in the auto insurance,

worker's comp and health care systems in this country -- will not find that this is a good deal.

Now, there may be exceptions, but we're talking about making a plan for the vast majority of people and businesses in America that will be affordable and will give them the chance to have a health care system that works.

Now none of this comes without controversy; none of this will be easy. But we are very excited by the level of cooperation and assistance that many of you, through your organizations, have already given us. We intend to continue that. We do not believe we have all the answers. We do not believe that we have the tablets that we have brought down and here they are. We believe the President will present a blueprint with these basic principles. If there are better, more efficient, less costly, quality driven ways of doing any of this that we haven't thought about or have overlooked, we are open to that.

But what we are not open to is a stand pat negative, nay-saying opposition that will not recognize the reality of the problem facing this country, both in human and economic terms. We have to get beyond politics as usual. There is no Republican or Democrat or liberal or conservative answer to this. This is a moment in history which we have to seize in order to take care of ourselves. Who would have thought a month ago -- certainly who would have thought a year ago -- that on Monday the President would host the Israeli government and the PLO? Who would have even dreamed that were possible?

Some people did. Some people never gave up. Some people knew, no matter how dangerous and difficult and politically explosive it was, that that kind of sustained effort to solve what could be one of the most difficult problems in the history of the world was worth going after day after day after day.

Our problems pale in comparison. But we have the same opportunity if we don't lose heart, and if we don't turn our ears off and listen to propaganda, but instead keep working toward a solution

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-- control. And that is certainly what the American people want. And those of us who have any responsibility for health care whatsoever need to keep trying day after day until we finally have a signing ceremony at the White House and put this country on the right track to take care of itself, to live up to its potential, and to deal with this problem.

Thank you all very much. (Applause.)

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