NEWS from
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DOLE CALLS HEALTH BILL 'REALISTIC ALTERNATIVE'

PRESS CONFERENCE STATEMENT

By Senator Bob Dole

WASHINGTON -- "This morning Senator Danforth, Senator Domenici, and I will introduce the Catastrophic Health Insurance and Medicare Amendments of 1979.

This proposal will create a health insurance program providing a means for all Americans to protect themselves and their families from financial bankruptcy caused by catastrophic illness or medical expense. This bill is an alternative to past proposals, an alternative to the Administration's plan, and, from all indications, an alternative to the bill Senator Kennedy plans to introduce next month. We believe this approach is a realistic one that recognizes the present fiscal and political climate. Our initial cost estimates, although preliminary, are $500 million in fiscal year 1981 and then $3 billion in fiscal year 1982.

PROPOSAL OVERVIEW

The catastrophic health insurance proposal that we are introducing today has three key parts. First, those eligible for Medicare will be protected by expansion of their present benefits. Second, the large majority of the employed will be assured of the availability of adequate private insurance protection. Third, those who are part of the residual market place and not already covered, may choose to have the federal government serve as a facilitator and in some instances a financial back-up in contracting with the private insurance companies for catastrophic coverage.

This last component recognizes the complex problem of how to reach those now uncovered by health insurance for catastrophic illness. Since these people are so varied, there is no single dimension (such as unemployment) that can be used to define a population toward which to target assistance.

MEDICARE IMPROVEMENTS

This portion of the proposal is intended to protect its beneficiaries by modification of the present benefit package and present cost-sharing provisions. Despite present Medicare and Medicaid coverage, the out-of-pocket costs for medical care by the elderly have been estimated at as much as $600 per person per year. These individuals are particularly at risk because they are often on fixed budgets with little extra for emergency purposes. Many elderly have bought additional private insurance policies in order to protect themselves against such costs and potential catastrophic expenses, but many still experience financial disaster because of these costs. It is our intention to reduce the risk for the Medicare beneficiary by making some changes in the Medicare program.

Medicare pays only 38 percent of the total health care costs of the elderly. In addition to Medicare deductibles and co-insurance, the elderly are required to pay for many types of services that are not reimbursable under the Medicare program at this time. Examples of such services are outpatient drugs, eyeglasses, hearing aids, dental care, and most importantly, certain types of long-term care. The average annual out-of-pocket costs for prescription drugs alone is over $100; for long-term care $200. The intent of this portion of the bill is not to eliminate all out-of-pocket expenses. However, we intend to make changes to limit the potential for catastrophic expenses in the context of current Medicare policy.

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PRIVATE CATASTROPHIC INSURANCE

The intent of the second part of the plan is to assure that the large majority of the employed population has available the option of protecting themselves and their families from catastrophic illness through the purchase of private insurance. All employers will be required to offer their employees group health insurance with minimal catastrophic benefits. These plans will include coverage for inpatient hospitalization after the 60th day of hospitalization and payment for certain medical services after $5,000 in medical expenses for those services has been incurred.

This minimal coverage would have to be offered to all who have been employed for 30 days and work at least 25 hours per week without regard to health status. Employees would be free to choose to participate or not, and plans could not exclude benefits for pre-existing medical conditions.

RESIDUAL MARKET PLAN

Those who choose (except those covered by Medicare, Medicaid, or private insurance) can participate in the third portion of this program. The purpose of this portion of the plan is to provide the opportunity for those who are not otherwise covered to purchase a private catastrophic health insurance plan.

The Secretary of Health, Education and Welfare will enter into agreements with private insurance companies for them to make available policies which provide catastrophic coverage. These benefits would include coverage for hospital services after the individual or family unit has been hospitalized for 60 days in a year and coverage for medical services after $5,000 expenses have been incurred for these services. Catastrophic coverage would also begin if the family has out-of-pocket costs for these same services that equal 15 percent of their total income.

Insurance companies would establish premiums which would be community rated. The premiums might vary from one area to another, but they would not vary based on the individual's or his family's health status.

A subsidy would be provide to those with lower incomes to assist them in purchasing a policy. This subsidy would be indexed according to income such that someone without income could have their entire premium paid for by the government while someone whose income was 120 percent of the national poverty level would pay the entire premium. The indexing would be phased in such a manner as to avoid any "notching". We believe that this approach will enable all those who so desire to purchase catastrophic health insurance for a price they can afford.

State Medicaid programs will be required to provide catastrophic coverage for their beneficiaries. States would have to protect their beneficiaries after 60 days of hospitalization for $5,000 of incurred expenses for medical services as covered under the state program. These state programs will be allowed to "buy in" to a private insurance plan for these benefits if they so choose. The financing of premium subsidies provided for this portion of the program will be through general revenues.

CONCLUSION

What we have outlined in broad form today is a contribution to what promises to be a protracted debate over National Health Insurance. We look forward to working closely with our colleagues in perfecting this bill, which we believe represents an improvement over past catastrophic proposals. We look forward to perfecting the imperfect and honing the broad outlines submitted here today into a viable alternative to the impossibly expensive cradle-to-grave approach favored by some of our colleagues.

If a single principle unites our thinking, it is this: slogans, however appealing politically, do not assure adequate coverage. Promises are cheaper than performance. Here, as elsewhere, what we do is bound by the shape of the American economy. In health care, as in economic planning, the guiding principles should be individual freedom and practical results.

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