

REMARKS OF SENATOR BOB DOLE

AMERICAN BOARD OF ORTHOPEDIC SURGERY

MAY 8, 1980

THIS EVENING, I'D LIKE FOR A FEW MINUTES TO CONSIDER SOME ISSUES OF SPECIAL SIGNIFICANCE TO EACH OF YOU.

YOUR INDUSTRY IS LIKE NO OTHER; CONVENTIONAL ECONOMIC RULES RARELY APPLY. YOU DISPENSE A PRODUCT USED INFREQUENTLY BY MOST OF US. WHEN WE NEED THAT PRODUCT, HOWEVER, WE NEED IT IMMEDIATELY, AND WE WANT IT TO BE PERFECT. SUPPLY AND DEMAND CAN NEVER APPLY TO THE SAVINGS OF HUMAN LIVES. WE MUST REMEMBER THIS IN DESIGNING ANY FEDERAL PROGRAM TO DEAL WITH PRIVATE MEDICINE.

BUT I HAVE COME TO GRUDGINGLY ADMIT THAT WE CAN NO LONGER DISCUSS HEALTH POLICY WITHOUT RECOGNIZING THE IMPORTANCE OF ECONOMICS. RESOURCES ARE SCARCE, THE PUBLIC WANTS THE BUDGET BALANCED, THERE ARE COMPETING PRIORITIES AND TOTAL HEALTH EXPENDITURES HAVE RISEN DRAMATICALLY TO OVER \$200 BILLION IN 1980.

COST CONTAINMENT - A RIGHT AND A WRONG WAY

THE CARTER ADMINISTRATION LONG AGO SUBMITTED A COST CONTAINMENT PROPOSAL, WHICH THEY STILL PURSUE TODAY.

THEIR PROPOSAL IS NO MERE REIMBURSEMENT REFORM BILL. IT IS A PRICE CONTROL SYSTEM, IN WHICH ONLY ONE SECTOR OF THE ECONOMY IS CONTROLLED, AND IN WHICH THE SECRETARY OF HEALTH AND HUMAN SERVICES IS GIVEN FAR TOO MUCH DISCRETION.

THE MANDATORY CONTROLS IN THE PROGRAM WOULD NOT NECESSARILY BE LIMITED TO INEFFICIENT HOSPITALS. IN FACT, THEY MIGHT WIND UP PUNISHING EVERYONE.

I MUCH PREFER VOLUNTARY RESTRAINT. I NOTE THE SUCCESSES OF THE AMERICAN HOSPITAL ASSOCIATION IN MEETING COST CONTROL TARGETS, AS WELL AS THE EFFORTS OF MANY PHYSICIANS TO HOLD DOWN THE GROWTH IN THEIR OWN FEES. SO IT CAME AS GOOD NEWS LAST YEAR WHEN THE HOUSE REJECTED THE ADMINISTRATION'S BILL, AND SUPPORTED A VOLUNTARY APPROACH.

SENATOR HERMAN TALMADGE AND I ARE WORKING HARD TO PASS OUR OWN BILL, WHICH SUPPORTS VOLUNTARY COST CONTAINMENT AND ENCOURAGES EFFICIENCY BY COMPARING LIKE INSTITUTIONS AND BASING RATES UPON THAT COMPARISON. OUR BILL CONTAINS A NUMBER OF OTHER MEDICARE/MEDICAID PROVISIONS, MANY OF WHICH WOULD ALSO ENCOURAGE GREATER CHOICE IN THE LOCATION OF HEALTH DELIVERY - FOR INSTANCE, IN ONE'S HOME OR IN AN OUT-PATIENT SURGERY CENTER.

FOR NOW, THE IMMEDIATE PROSPECTS ARE BRIGHT, BUT THE NATIONAL MOOD IS FICKLE AND THE PRESENT ATTITUDE OF SUSPICION TOWARD GOVERNMENT INTRUSION IN THE PRIVATE SECTOR COULD RAPIDLY CHANGE IF VOTERS PERCEIVE THE MEDICAL PROFESSION TO BE LESS THAN VIGILENT IN THE FIGHT AGAINST INFLATION. AND SINCE THE CURRENT BUDGET SITUATION HAS ALSO PLACED INCREASED EMPHASIS ON THE NEED TO REDUCE SPENDING, THE CARTER ADMINISTRATION WILL UNDOUBTEDLY PRESS FOR THESE FISCAL CONTROLS AS PART OF ITS SO-FAR UNSUCCESSFUL INFLATION-CONTROL PROGRAM. SO, I URGE EACH ONE OF YOU TO REDOUBLE YOUR EFFORTS, NOT ONLY AT VOLUNTARY COST CONTAINMENT, BUT AT GETTING YOUR MESSAGE OF CONCERN AND FINANCIAL DISCIPLINE ACROSS -- TO THE PUBLIC AND THE CONGRESS. ANYTHING LESS WILL ONLY ENCOURAGE THOSE WHO ARE DETERMINED TO PUT YOUR INDUSTRY WITHIN A REGULATORY STRAIT-JACKET.

NOW LET ME MOVE ON TO ANOTHER ISSUE OF PRESSING IMPORTANCE -- THE FIGHT OVER NATIONAL HEALTH INSURANCE.

FOR MY OWN PART, I ANTICIPATE NO FINAL ACTION THIS YEAR. HOWEVER, THERE IS A GOOD POSSIBILITY THAT THE COMMITTEE WILL CONTINUE ITS DISCUSSION OF THE ISSUES, AND ATTEMPT TO REACH SOME AGREEMENT.

THE CARTER ADMINISTRATION SAYS IT WILL APPROACH THE NATIONAL HEALTH ISSUE INCREMENTALLY. BUT IF YOU KNOW ANYTHING ABOUT WASHINGTON, D. C., YOU KNOW THAT "INCREMENTAL" HAS A WAY OF TURNING ALMOST OVERNIGHT INTO A FULL-SCALE FEDERAL TAKEOVER. THE CARTER PLAN HAS BEEN TO SEEK COVERAGE FOR CATASTROPHIC CASES, PLUS FULL COVERAGE FOR PREGNANT WOMEN AND CHILDREN.

THEN THERE IS SENATOR KENNEDY, WHOSE OWN PRESIDENTIAL CAMPAIGN HAS ALREADY CONFIRMED THOSE WHO BELIEVE THAT NOSTALGIA ISN'T WHAT IT USED TO BE. HIS IS THE COMPREHENSIVE CRADLE-TO-GRAVE APPROACH. WITH NATIONAL AND REGIONAL CONTROLS ON SPENDING. AND VERY LIKELY A RATIONING OF HEALTH CARE BY GOVERNMENT.

-5-

SENATOR KENNEDY AND HIS ALLIES INSISTED THEN, AND STILL DO, THAT THE INCREMENTAL APPROACH IS UNACCEPTABLE. THEY WOULD RATHER HAVE NO CATASTROPHIC INSURANCE COVERAGE THAN PERMIT ENACTMENT OF LEGISLATION WHICH DOES NOT PROVIDE FOR FURTHER BROAD EXPANSION OF COVERAGE IN YEARS TO COME.

THIS ISN'T SURPRISING. THE FACT IS, A CATASTROPHIC HEALTH INSURANCE PROGRAM MIGHT SOLVE SO MUCH OF THE REAL PROBLEM AS TO ELIMINATE THE APPEAL OF THEIR EXPENSIVE AND BUREAUCRATIC PROGRAM. SO THEY WANT ENACTMENT OF A "PACKAGE" DEAL NOW WHICH WILL AUTOMATICALLY EXPAND HEALTH CARE BUREAUCRACY AND CONTROLS IN YEARS TO COME, WHETHER OR NOT THE INTERVENING EXPERIENCE INDICATES THIS TO BE NECESSARY, DESIRABLE OR AFFORDABLE.

FORTUNATELY, THE REST OF THE CONGRESS IS MUCH MORE CAUTIOUS. LAST MARCH, SENATORS DANFORTH, DOMENICI AND I INTRODUCED S. 748, THE CATASTROPHIC HEALTH INSURANCE AND MEDICARE AMENDMENTS OF 1979. THE BILL CONTAINS THREE KEY PARTS.

FIRST, IT WOULD EXPAND THE RANGE OF BENEFITS FOR THOSE NOW COVERED BY MEDICARE AND PROVIDE THEM WITH BROADER COVERAGE.

-6-

SECOND, THE LARGE MAJORITY OF THOSE EMPLOYED WILL BE ASSURED OF THE AVAILABILITY OF ADEQUATE PRIVATE INSURANCE PROTECTION AGAINST CATASTROPHIC COSTS.

AND THIRD, THOSE WHO ARE PART OF THE RESIDUAL MARKETPLACE AND NOT ALREADY COVERED, MAY CHOOSE TO HAVE THE FEDERAL GOVERNMENT SERVE AS A FACILITATOR AND IN SOME INSTANCES A FINANCIAL BACKUP IN CONTRACTING WITH THE PRIVATE INSURANCE COMPANIES FOR CATASTROPHIC COVERAGE.

UNLIKE SOME OF MY COLLEAGUES, I DO NOT BELIEVE THAT WE SHOULD FORCE INDIVIDUALS TO PARTICIPATE IN A PLAN. RATHER, INDIVIDUALS TO THE EXTENT POSSIBLE, SHOULD BE GIVEN THE OPPORTUNITY TO CHOOSE WHERE AND HOW THEY OBTAIN CATASTROPHIC HEALTH INSURANCE.

UNLIKE SOME OF MY COLLEAGUES, I DO NOT BELIEVE THAT THE MEASURE OF CATASTROPHIC SHOULD BE LIMITED TO A FIXED DOLLAR AMOUNT OR NUMBER OF DAYS IN THE HOSPITAL. IN SOME INSTANCES, IT SHOULD ALSO BE DIRECTLY RELATED TO THE PERCENTAGE OF INCOME EXTENDED FOR HEALTH CARE SERVICES.

UNLIKE SOME OF MY COLLEAGUES I BELIEVE THAT FIXING A SET DOLLAR AMOUNT IN 1980 TO MEASURE CATASTROPHIC MAY NOT BE TRULY REPRESENTATIVE OF THE SITUATION IN 1980 OR 1981 OR 1982 OR IN THE FUTURE.

COMPETITION

ANOTHER CONCEPT WHICH HAS RECEIVED A GOOD DEAL OF ATTENTION, IN ADDITION TO THOSE INCLUDED IN THE BILLS I MENTIONED, IS COMPETITION.

COMPETITION IN THE HEALTH CARE MARKET PLACE.

CONSUMER CHOICE AMONG DIFFERENT HEALTH INSURANCE PLANS.

THESE ARE THE WATCHWORDS OF CONGRESS' NEW FOUND INTEREST IN INTRODUCING COMPETITIVE FORCES INTO THE HEALTH CARE SYSTEM.

MANY OF MY COLLEAGUES HAVE ONLY RECENTLY BECOME ACQUAINTED WITH THE ADVOCATES OF COMPETITION. FOR INSTANCE, HEALTH CARE ECONOMIST MARTIN FELDSTEIN SURPRISED THE SENATE HUMAN RESOURCES COMMITTEE WITH THE COLD OBSERVATION THAT THE ADMINISTRATION'S BILL WOULD ONLY FREEZE THE EXISTING GEOGRAPHIC DISPARITIES AND WOULD DO NOTHING ABOUT THE ROOT CAUSES OF HEALTH CARE INFLATION; THE GROWTH OF INSURANCE COVERAGE AND THE FEDERAL SUBSIDY OF EXCESSIVE COVERAGE THROUGH TAX SUBSIDIES THAT NOW TOTAL MORE THAN \$10 BILLION A YEAR.

SINCE THAT TIME, A NUMBER OF LEGISLATIVE PROPOSALS DESIGNED TO STIMULATE COMPETITION HAVE BEEN INTRODUCED -- SOME INCLUDE FELDSTEIN'S IDEA.

IT HAS BEEN SAID THAT IT IS DIFFICULT TO ENVISION THE OPERATION OF "SMOOTHLY WORKING MARKET FORCES" IN THE AMERICAN MEDICAL EXCHANGE, WHERE QUALITY IS HARD TO DEFINE, NECESSITY IS IN THE EYE OF THE BEHOLDER, AND THE PUBLIC IS HOSTILE TO THE QUEUE AND WILLING TO PAY TO AVOID IT.

BUT THAT DOESN'T MEAN THAT WE SHOULDN'T SEEK TO RID THE SYSTEM OF INEFFICIENCY AND WASTE THROUGH NEW MEANS INVOLVING THE PRIVATE SECTOR, RATHER THAN THE GOVERNMENT.

THE MARKET APPROACH DEALS DIRECTLY WITH THE PERVERSE INCENTIVES THAT WORK TO REDUCE EFFICIENCY AND INCREASE COSTS. THIS APPROACH COVERS A RANGE OF PROPOSALS: FROM PROSPECTIVE BUDGETING TO RESTRUCTURING TAX LAWS. THE GOAL IS TO MAKE ALL PARTIES MORE SENSITIVE TO PRICES AND THEREBY INCREASE COMPETITION AND EFFICIENCY. DEVELOPMENT OF HEALTH MAINTENANCE ORGANIZATIONS, ELIMINATION OF INEFFICIENT TAX SUBSIDIES, AND IMPROVED CONSUMER CHOICE ARE ALL STRESSED. THIS MARKET APPROACH OBVIOUSLY INVOLVES COMPETITION.

COMPETITION IS AN IDEA THAT MANY WILL SUPPORT BUT FEW MAY TRULY UNDER-
STAND. MANY AGREE IN PRINCIPAL WITH COMPETITION BUT ALSO BELIEVE THAT
THEIR PART OF THE INDUSTRY, BE IT HOSPITALS, OR INSURERS, OR PHYSICIANS --
HAVE ENOUGH COMPETITION.

IMPLEMENTING OR STIMULATING AN EFFECTIVE COMPETITIVE PROPOSAL WILL BE
EQUALLY AS COMPLEX AS ANY REGULATORY APPROACH -- SO WE MUST PROCEED WITH
CAUTION: THE LAST THING WE NEED IS MORE CHAOS.

IN OUR CONSIDERATION OF HEALTH INSURANCE IN THE FINANCE COMMITTEE WE HAVE
ATTEMPTED TO DESIGN A CONSENSUS BILL, BUILT ON PROVISIONS CONTAINED IN A
NUMBER OF PROPOSALS. I BELIEVE OUR FINAL ANSWER WILL BE LIMITED - BUT
REASONABLE CONSIDERING THE CURRENT STATE OF THE ECONOMY, AND THE ACTUAL
NEED WHICH EXISTS BY CONTRAST.

SENATOR KENNEDY'S HEALTH INSURANCE PLAN CREATES ANOTHER NEW, HIGHLY COM-
PLEX FEDERAL AND STATE BUREAUCRACY -- ONE THAT IS NEEDLESS FOR THE INDUSTRY
TODAY. HIS LEGISLATION GIVES THE ILLUSION OF MAINTAINING THE PRIVATE IN-
SURANCE INDUSTRY -- BUT IN REALITY GUTS THEIR CURRENT RESPONSIBILITIES,
MAKING THEM MERE INTERMEDIARIES. IT SEEMS TO BE ADDRESSED LARGELY TO
POTENTIAL CONSTITUENCIES WITHIN THE DEMOCRATIC PARTY.

COOPERATION AND CONSENSUS

AND WHAT ABOUT THE MEDICAL PROFESSION ITSELF?

IN SHAPING A POSITION GENERALLY AGAINST MORE GOVERNMENT MEDICINE AND THE TYPE OF GRAND DESIGN ENVISIONED BY SENATOR KENNEDY AND OTHERS, IT IS IMPERATIVE THAT PHYSICIANS DEMONSTRATE AN UNDERSTANDING AND ACCEPTANCE OF THE FACT THAT SOMETHING MAY HAPPEN ON THIS ISSUE WHETHER WE LIKE IT OR NOT.

IN THAT REGARD, I FIND IT VERY GRATIFYING THAT MANY MEDICAL GROUPS HAVE EMBRACED THE CONCEPT OF LIMITED CATASTROPHIC HEALTH INSURANCE AND IMPROVEMENTS IN MEDICARE AS A WAY OF ADDRESSING THE UNMET NEEDS OF OUR PRESENT SYSTEM.

LET ME CLOSE BY SAYING AGAIN HOW I WELCOME YOUR INPUT, BOTH INDIVIDUALLY AND COLLECTIVELY, AS THIS NATION DESIGNS A HEALTH CARE SYSTEM THAT PRESERVES BOTH PRIVATE INCENTIVE AND PUBLIC COMPASSION. I HOPE IN THE MINUTES TO FOLLOW THAT WE CAN DISCUSS THIS ISSUE, AND SOME OF THE OTHER IDEAS I HAVE TO RETURN OUR ECONOMY TO ITS ORIGINAL FOUNDATIONS --PROFIT AND INCENTIVE. TO ME, THOSE ARE NOT WORDS TO BE AVOIDED IN POLITE CONVERSATION. AND THEY MUST ONCE AGAIN BECOME THE HALLMARK OF A FREE ENTERPRISE SYSTEM THAT IS TRULY FREE.