

AMERICAN PHYSICAL THERAPY ASSOCIATION

NATIONAL CONVENTION  
SUNDAY, JUNE 26, 1977  
ST. LOUIS, MO.

*W. J. ...*

WITH THE ARRIVAL OF SUMMER, THE ISSUES ALWAYS HEAT UP IN CONGRESS. THE NEW ADMINISTRATION IS SETTLED IN. THE HOUSE AND SENATE HAVE THE PRELIMINARIES OUT OF THE WAY. THE PRESIDENT AND THE LEGISLATIVE BRANCH HAVE HAD TIME TO SIZE ONE ANOTHER UP. EVEN THE CONGRESSIONAL MEMBERS OF THE PRESIDENT'S OWN PARTY DO NOT ALWAYS SEE PUBLIC ISSUES THE SAME WAY. ALREADY THIS YEAR, ON TAX POLICY, THE ENERGY PROBLEM, LABOR LAW, WATER DEVELOPMENT, AND THE STRUCTURE OF THE ELECTORAL SYSTEM ITSELF, DESPITE THE BIG DEMOCRATIC MAJORITIES IN BOTH HOUSES, CONGRESS HAS EXERCISED ITS INDEPENDENT JUDGMENT.

IN THE MONTHS THAT FOLLOW, AND IN NEXT YEAR'S SESSION, THIS CONGRESS WILL BE COMING TO GRIPS WITH SOME OF THE MOST DIFFICULT PUBLIC PROBLEMS. ONE OF THEM IS THE COST OF HEALTH CARE.

*Don W. ...  
Ch. ...*

-2-

THE PUBLIC OPINION POLLS AND THE MAIL THAT WE RECEIVE ON CAPITOL HILL CONFIRM WHAT ALL OF US KNOW ANYHOW--THAT THE AMERICAN PEOPLE ARE DEEPLY CONCERNED ABOUT THE COST OF HEALTH CARE. I SHARE THAT CONCERN. THE COST OF HOSPITAL CARE HAS BEEN GOING UP AT A RATE OF ABOUT 15 PER CENT A YEAR--A RATE THAT CANNOT BE ALLOWED TO CONTINUE IF WE ARE TO RESIST THE DEVASTATING PLAGUE OF INFLATION. INFLATION STRIKES ALL ECONOMIC GROUPS INDISCRIMINATELY, BUT IT IS THE MIDDLE INCOME FAMILIES--THOSE WITH INCOMES ~~BARELY~~ <sup>JUST</sup> ABOVE THE MEDICAID ELIGIBILITY RANGE--WHO SUFFER THE MOST FROM SPIRALLING PRICES.

ALL THE SAME, I DO NOT THINK IT IS EITHER FAIR OR REALISTIC TO PUT THE BLAME ON THE HEALTH-CARE DELIVERY SYSTEM ALONE, OR EXPECT THE HEALTH-CARE INSTITUTIONS TO BEAR THE BRUNT OF CHECKING THESE INFLATIONARY PRESSURES ALL BY THEMSELVES.

## ADMINISTRATION PLAN

AS YOU KNOW, THE ADMINISTRATION IS PROPOSING A PLAN THAT WOULD LIMIT COST INCREASES FOR MOST HOSPITALS TO NO MORE THAN 9 PER CENT IN THE NEXT FISCAL YEAR.

THE PRICES THAT THESE INSTITUTIONS MUST PAY...FOR LABOR...FOR SUPPLIES...FOR INSURANCE...FOR THE EQUIPMENT AND FACILITIES THAT MUST BE REPLACED AND IMPROVED CONSTANTLY... AND OF COURSE THE FINANCIAL COST OF COMPLYING WITH COUNTLESS REGULATORY REQUIREMENTS BY GOVERNMENTAL BODIES AT ALL LEVELS... THESE HAVE ALL PLAYED A PART IN THE DILEMMA WE'RE IN.

THE ADMINISTRATION'S COST CONTAINMENT PROPOSAL, WITH ITS ARBITRARY CAP ON HOSPITAL REIMBURSEMENT INCREASES, FAILS TO COPE WITH THE REAL DIMENSIONS OF THE PROBLEM.



SOMETHING MUST BE DONE TO REIN IN THE TREMENDOUS OUTLAYS FOR MEDICAID AND MEDICARE. PROJECTED FEDERAL EXPENDITURES FOR THESE TWO PROGRAMS IN THE NEW FISCAL YEAR ARE AN ASTOUNDING \$47.5 BILLION. FRAUD AND OTHER ABUSES IN MEDICAID ADD TO THE MEDICAL COSTS OF EVERY AMERICAN-- NOT JUST THOSE WHO ARE PARTICIPATING IN THE PROGRAM.

BUT WHAT SENSE DOES IT MAKE TO SIMPLY SAY TO THE HOSPITALS: "LOOK WE'RE NOT GOING TO RAISE YOUR REIMBURSEMENT RATES BY MORE THAN 9 PER CENT THIS YEAR, EVEN THOUGH WE KNOW THERE IS NOTHING YOU CAN DO ABOUT THE HIGHER COSTS OF PERSONNEL AND MEDICINES AND LIABILITY INSURANCE AND LOTS OF OTHER THINGS THAT YOU WILL HAVE TO BUY."

FEDERAL, STATE AND LOCAL GOVERNMENT REGULATIONS  
PLAYS NO SMALL PART IN ALL THIS. SOME TIME AGO, THE  
PRESIDENT'S COUNCIL ON WAGE AND PRICE STABILITY OBSERVED  
WHAT IS STILL TRUE TODAY, THAT "THE UBIQUITOUS AND OFTEN  
CONFLICTING MORASS OF REGULATIONS IMPOSED BY WASHINGTON,  
INSTEAD OF BEING PART OF THE SOLUTION, IS PART OF THE  
PROBLEM OF RISING HEALTH-CARE COSTS."

WE SHOULD HAVE LEARNED BY NOW THAT A MASSIVE DOSE OF  
FEDERAL CONTROLS WON'T CURE VERY MANY DISEASES--LEAST OF  
ALL THIS ONE.

## ARBITRARY DECREES WON'T WORK

SOARING COSTS--<sup>whether</sup> OF THE BILLS THAT PATIENTS PAY WHEN THEY LEAVE THE HOSPITAL, OR OF THE COMPLICATED EQUIPMENT IN AN OPERATING ROOM--WON'T BE BROUGHT UNDER CONTROL BY ARBITRARY DECREE--NO MATTER WHETHER THAT DECREE IS HANDED DOWN BY THE GOVERNMENT OR SOMEONE ELSE.

THIS IS A PROBLEM OF NATIONAL CONCERN THAT CAN BE DEALT WITH BEST BY A PARTNERSHIP OF GOVERNMENT AND THE PRIVATE HEALTH-CARE SYSTEM WORKING TOGETHER.

IN MY VIEW, THE PROPOSAL INTRODUCED BY SENATOR TALMADGE AND CO-SPONSORED BY MYSELF AND OTHERS REPRESENTS A RESPONSIBLE ALTERNATIVE TO THE CARTER COST CONTAINMENT PLAN.



IF THERE ARE SAVINGS TO BE REALIZED THROUGH INCREASED EFFICIENCY IN FEDERAL HEALTH PROGRAM ADMINISTRATION, THEN THE PROVISIONS OF OUR BILL ARE DESIGNED TO BRING THEM ABOUT. AT THE SAME TIME, OUR APPROACH MAINTAINS A REALISTIC POSITION ON THOSE CHANGES WHICH PROVIDERS ARE ABLE TO MAKE AND THOSE THEY ARE NOT ABLE TO MAKE.

THE REIMBURSEMENT SYSTEM UNDER OUR BILL WOULD BE PROSPECTIVE. NO LONGER WOULD HOSPITALS HAVE TO WAIT UNTIL AFTER THE EXPENSES WERE INCURRED TO GET THEIR MONEY. WE PROVIDE INCENTIVES IN OUR BILL FOR THE HOSPITALS TO KEEP THE REIMBURSEMENT RATES WITHIN SPECIFIED TARGET LIMITS. FOR EXAMPLE, AN INSTITUTION THAT HELD ITS COSTS UNDER THE TARGET WOULD BE ELIGIBLE FOR A 5 PER CENT BONUS. THOSE THAT EXCEEDED THE TARGET BY OVER 20 PER CENT WOULD SHOULDER THE EXTRA EXPENSES THEMSELVES.

ONE SECTION OF THE BILL DEALS WITH ADMINISTRATIVE REFORMS. IT IS OUR INTENTION TO CONSOLIDATE THE VARIOUS FEDERAL AGENCIES NOW INVOLVED WITH MEDICAID AND MEDICARE. THE BUREAU OF HEALTH INSURANCE, THE MEDICAL SERVICES ADMINISTRATION, THE BUREAU OF QUALITY INSURANCE, AND THE OFFICE OF LONG-TERM CARE WOULD ALL BE COMBINED INTO AN ADMINISTRATION FOR HEALTH-CARE FINANCING TO BE HEADED BY AN ASSISTANT SECRETARY OF HEW.



### BUREAUCRATIC FRANKENSTEIN'S MONSTER

IF PROPERLY IMPLEMENTED, THIS COULD PREVENT MUCH OF THE CONFUSION AND RED TAPE EXPERIENCED BY ALL OF US IN THE PAST BUT UNFORTUNATELY, IT HAS COME TO MY ATTENTION THAT THE RECENTLY CREATED HEALTH CARE FINANCING ADMINISTRATION CREATED TO DO THIS, RATHER THAN ELIMINATING OVERLAPPING JURISDICTIONS AND CLEANING UP CONFUSION, HAS ONLY ADDED TO IT BY ESTABLISHING A NEW BUREAUCRATIC SUPERSTRUCTURE AS A HAVEN FOR DISPLACED BUREAUCRATS.

BECAUSE OF THIS, I ASKED THE SUBCOMMITTEE DURING OUR HEARINGS TO REQUEST THE COMPTROLLER GENERAL TO LOOK INTO THE SITUATION AND REPORT BACK TO US IN 30 DAYS. I THINK WE SHOULD FIND OUT WHETHER THIS NEW AGENCY IS DEVELOPING INTO A BUREAUCRATIC FRANKENSTEIN MONSTER.

IN THE TALMADGE-DOLE BILL, WE WOULD ALSO PROVIDE INCENTIVES FOR THE ESTABLISHMENT OF MEDICAL PRACTICES IN RURAL AND OTHER COMMUNITIES WHERE FEES ARE RELATIVELY LOW AND WHERE THERE IS A NEED FOR MORE DOCTORS. THIS WOULD BE DONE BY INCREASING THE COMPARATIVE REIMBURSEMENT LEVELS IN SUCH CASES.

OUR APPROACH REPRESENTS A BASIC LONG-TERM STRUCTURAL ANSWER TO THE PROBLEM OF RISING HOSPITAL COSTS. THE ADMINISTRATION'S PROGRAM IS A QUESTIONABLE SHORT-TERM ANSWER AT BEST, WAITING FOR A LONG-TERM SOLUTION.

THERE IS AN UNFORTUNATE TENDENCY FOR "CAPS" TO BECOME "FLOORS." INSTITUTIONS WOULD BE INCLINED TO AUTOMATICALLY RAISE THEIR RATES BY 9 PER CENT AND BE LESS CONCERNED ABOUT EFFICIENCIES THAT MIGHT HOLD THEIR COSTS UNDER 9 PER CENT.

PRESENTLY THE TALMADGE-DOLE BILL DEALS ONLY WITH PAYMENTS MADE BY MEDICARE AND MEDICAID. THERE WAS A CONSENSUS AMONG THE MAJORITY OF THOSE WHO TESTIFIED BEFORE OUR SUBCOMMITTEE THAT THE SCOPE SHOULD BE BROADENED TO REACH BEYOND MEDICARE AND MEDICAID. THIS SUGGESTION AND MANY OTHERS MADE DURING THE FOUR DAYS OF HEARINGS WILL BE CONSIDERED WHEN WE MAKE REVISIONS IN THE BILL BEFORE IT IS REFERRED TO THE FULL FINANCE COMMITTEE.

WOULD PENALIZE THE EFFICIENT

NEITHER SENATOR TALMADGE NOR I BELIEVE THE BILL AS IT NOW READS TO BE THE FINAL ANSWER. THERE ARE MANY REFINEMENTS TO BE MADE, I AM SURE. IN ANY EVENT, WITH ALL THE EXCEPTIONS IN THE PRESIDENT'S BILL, THERE IS CONSIDERABLE DOUBT ABOUT WHETHER IT COULD POSSIBLY BE EFFECTIVE AS A CAP. BY ITS VERY NATURE SUCH A SYSTEM PENALIZES THOSE WHO HAVE BEEN EFFECTIVE IN THE PAST AND GIVES A STARTING ADVANTAGE TO THOSE WHO HAVE BEEN EXTRAVAGANT.

I CAN UNDERSTAND YOUR CONCERN WITH THE SECTION RELATING TO THE "SALARY EQUIVALENCY" SYSTEM. LAST YEAR, AS YOU KNOW, I INTRODUCED LEGISLATION TO ALTER THE SYSTEM OF REIMBURSEMENT FOR PHYSICAL THERAPISTS. AS YOU KNOW, THE SOLE CRITERION FOR EVALUATING THE REASONABLENESS OF THE COST OF PHYSICAL THERAPY SERVICES FURNISHED BY INDEPENDENT CONTRACTORS TO MEDICARE BENEFICIARIES IS THE SALARIES PAID TO EMPLOYED PHYSICAL THERAPISTS.



THE LEGISLATION WOULD HAVE OFFERED A SECOND, MORE FLEXIBLE REIMBURSEMENT TEST. SPECIFICALLY, THE OPTIONAL METHOD WOULD PERMIT PAYMENT FOR PHYSICAL THERAPY SERVICES FURNISHED UNDER ARRANGMENT TO BE MADE ON A PER PATIENT BASIS, PROVIDED THAT AMOUNT DOES NOT EXCEED THE PROFESSIONAL PERSONNEL COST PER PATIENT VISIT FOR PHYSICAL THERAPY SERVICES FURNISHED IN A COMPARABLE EMPLOYMENT SETTING.

SUCH A CHANGE WOULD BE INCENTIVE FOR IMPROVED PRODUCTIVITY-- WHICH MEANS MORE EFFICIENT DELIVERY OF PHYSICAL THERAPY SERVICES-- IN THE MEDICARE PROGRAM.

THAT IS ONLY ONE EXAMPLE OF THE MANY AREAS OF MEDICARE AND MEDICAID LAWS THAT NEED TO BE REVIEWED.

THERE ARE SO MANY ADDITIONAL BENEFITS THAT OUGHT TO BE INCLUDED, SUCH AS THE COVERAGE OF PRESCRIPTION DRUGS.

### CONTROL PRESENT SYSTEM FIRST

I AM AWARE, TOO, OF YOUR CONCERNS REGARDING THE LIMITATION OF MEDICARE PAYMENTS FOR OUT-PATIENT PHYSICAL THERAPY SERVICES. BUT OUR FIRST AND MOST IMMEDIATE CONCERN MUST BE TO GET THE PRESENT SYSTEM UNDER CONTROL. WHEN THE APPROPRIATE TIME COMES, AND THE BENEFIT STRUCTURE IS UNDER CONSIDERATION, I AM SURE THAT THIS SITUATION WILL BE ADDRESSED.

HOUSE PASSAGE OF AN ANTI-FRAUD AND ANTI-ABUSE BILL IS ANTICIPATED NEXT MONTH. THAT WILL BE H.R. 3, WHICH CAN BE CONSIDERED THE OFFSPRING OF THE MEDICARE-MEDICAID LEGISLATION THAT I CO-SPONSORED IN THE LAST CONGRESS WHICH HAS BEEN REINTRODUCED IN THIS FORM AGAIN THIS YEAR IN THE SENATE. IT IS OUR INTENTION TO MOVE PROMPTLY AS SOON AS THE HOUSE VERSION IS REFERRED TO US. THE NEED FOR BASIC REFORM OF MEDICAID AND MEDICARE IS URGENT.

THE SIREN CALL OF ALMOST TOTAL GOVERNMENT CONTROL OF HEALTH-CARE FINANCING IS TEMPTING TO MANY OF THOSE WHO WANT TO MAKE THE BEST SERVICES AVAILABLE TO THE MOST AMERICANS. I BELIEVE WE MUST PRESERVE THE PROPER BALANCE BETWEEN THE PUBLIC AND PRIVATE SECTORS. WITH THE RIGHT INCENTIVES, THE PRIVATE SECTOR CAN AND WILL MOVE TOWARD A MORE COST-EFFECTIVE USE OF HEALTH-CARE RESOURCES.

THAT IS THE STANDARD I WILL APPLY TO ANY LEGISLATION THAT WOULD CREATE A NATIONWIDE HEALTH-CARE SYSTEM. THERE ARE, AS YOU KNOW, MANY NATIONAL HEALTH INSURANCE PLANS BEFORE US. IT IS A SUBJECT THAT DESERVES MUCH STUDY AND DISCUSSION. I DO NOT ANTICIPATE ~~ANY~~ RAPID ACTION.



-15-

CRUCIAL PERIOD AHEAD

NEVERTHELESS, THE MONTHS AND YEARS AHEAD WILL BE CRUCIAL IN DETERMINING THE DIRECTION OF HEALTH-CARE POLICY IN THIS NATION.

BEFORE CLOSING, I WOULD LIKE TO URGE ALL OF YOUR MEMBERS TO BECOME INVOLVED IN POLITICAL ACTIVITY. BECAUSE THIS LUNCHEON IS SPONSORED BY YOUR ASSOCIATION'S CONGRESSIONAL ACTION COMMITTEE, I ASSUME THAT MOST OF YOU ARE ACTIVELY INTERESTED IN LEGISLATION AND POLITICAL ACTION. THE MORE OF YOUR MEMBERS WHO TAKE THE TIME TO INTEREST THEMSELVES IN SUCH ACTIVITIES, THE MORE EFFECTIVE YOUR COMMITTEE WILL BE.

-16-

LET YOUR LEGISLATORS KNOW WHO YOU ARE AND WHAT YOUR CONCERNS ARE. LET US HEAR FROM YOU.

CITIZEN APATHY IS SAPPING THE STRENGTH OF OUR TWO-PARTY SYSTEM. ONLY BY MAKING YOUR VIEWS KNOWN ON LEGISLATION AND BY INVOLVING YOURSELVES IN POLITICAL ACTIVITY, CAN YOU CONTRIBUTE BOTH AS INDIVIDUALS AND AS AN ORGANIZATION TO A POLITICAL SYSTEM THAT TRULY REFLECTS THE ATTITUDES AND THE INTERESTS OF THE GOVERNED.