

REMARKS OF SENATOR BOB DOLE
EMBASSY ROW HOTEL, WASHINGTON, D.C.
AMERICAN ACADEMY OF ORTHOPEDIC SURGEONS
MAY 8, 1980

IT'S A PLEASURE FOR ME TO BE WITH ALL OF YOU THIS EVENING, AND I MIGHT ADD IT'S AN ENCOURAGING SIGN AS WELL. FOR A LONG TIME, AT LEAST SINCE I CAME TO WASHINGTON BACK IN 1961, I'VE BEEN ARGUING FOR A MORE BALANCED RELATIONSHIP - A PARTNERSHIP, REALLY - BETWEEN THE PUBLIC AND PRIVATE SECTORS. FOR MUCH OF THAT TIME, AS FEDERAL SPENDING SOARED, AND INFLATION BECAME A MORE OR LESS PERMANENT HEADACHE IN THE BODY POLITIC, I'VE FELT A LITTLE LONELY, CRYING OUT REPENT, REPENT LIKE SOME BUDGET-MINDED JOHN THE BAPTIST.

ONLY IN THE LAST COUPLE OF YEARS HAVE I SEEN CONCRETE EVIDENCE THAT MILLIONS OF AMERICANS WHO SHARE MY CONCERNS ABOUT A GOVERNMENT THAT TAKES MORE IN TAX REVENUE AND EARNS LESS IN RESPECT THAN AT ANY TIME IN RECENT HISTORY, HAVE BEGUN TO RAISE THEIR VOICES AS WELL. MORE TO THE POINT, THEY HAVE BEGUN TO REDIRECT THE COURSE OF MANY STATE GOVERNMENTS, SUCEEDING IN CAPPING TAXES AND SPENDING AND GENERALLY REDUCING THE ROLE OF GOVERNMENT WITHIN THE PRIVATE SECTOR.

THAT GRASSROOTS CAMPAIGN WE CALL THE TAX REVOLT IS WELLING UP TO THE NATIONAL LEVEL - NOT ONLY TO AFFECT WHAT WE PAY TO GOVERNMENT IN TAXES, BUT WHAT WE SURRENDER TO GOVERNMENT IN TERMS OF INDIVIDUAL FREEDOM AND ECONOMIC INCENTIVE. 1980 IS A WATERSHED YEAR, IN WHICH WE WILL DO MUCH MORE THAN JUST ELECT OURSELVES A PRESIDENT - A NEW PRESIDENT, I TRUST.

WHAT WE DO IN THE BALLOT BOXES THIS NOVEMBER WILL CAST A SHADOW FOR DECADES TO COME. DO WE WISH TO REASSERT THE HISTORIC ROLE OF INCENTIVE AND PROFIT AS THE FUNDAMENTAL BASIS FOR SOCIAL JUSTICE IN THIS COUNTRY? BY THAT, I MEAN, DO WE RETURN TO THE IDEA THAT THE HIGHEST FORM OF JUSTICE IS A JOB, AND THE DIGNITY THAT COMES WITH A PAYCHECK?

DO WE REASSERT THE RIGHTS OF THE INDIVIDUAL IN THE FEDERAL-STATE RELATIONSHIP, IN THE TAX AND INVESTMENT FIELD, IN THE WHOLE MORASS OF EXCESSIVE REGULATION AND RED TAPE. DO WE PROCLAIM TO THE WORLD THAT THE UNITED STATES IS ONCE AGAIN WILLING TO LIVE UP TO HER OLD IDEALS OF LIBERTY AND JUSTICE FOR ALL, AND WILL WE BEGIN TO PRACTICE THOSE IDEALS FIRST OF ALL HERE - AT HOME?

-3-

THESE ARE QUESTIONS OF VAST SIGNIFICANCE. AND THEY ARE QUESTIONS IN WHICH YOU, AS CONCERNED CITIZENS, MUST TAKE A PART IN ANSWERING AFFIRMATIVELY.

FEW THINGS ABOUT MODERN GOVERNMENT ARE SIMPLE. BUT THAT DOES NOT MEAN THERE ISN'T A RIGHT WAY AND A WRONG WAY TO ATTACK PROBLEMS. LET ME FOCUS FOR A FEW MINUTES ON THE FIELD OF HEALTH - ONE THAT HOLDS SPECIAL APPEAL TO YOU AS PROFESSIONALS - AND SUGGEST HOW THE CURRENT ADMINISTRATION HAS PURSUED WRONG WAYS TO CORRECT ACKNOWLEDGED PROBLEMS, AND WHAT RIGHT WAYS I'D LIKE TO SEE PUT IN THEIR PLACE.

-4-

I HAVE COME TO REALIZE - AS HAVE MANY OF YOU - 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. TOTAL HEALTH EXPENDITURES IN AMERICA HAVE RISEN DRAMATICALLY TO OVER \$200 BILLION IN 1980, AND ITS NO SURPRISE THAT TWO OF THE CENTRAL ISSUES OF PUBLIC DEBATE TODAY REVOLVE AROUND MEDICAL ECONOMICS. I SPEAK OF COURSE, OF COST CONTAINMENT AND HEALTH INSURANCE.

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 INSTEAD.

THE DOLE-TALMADGE BILL

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.



-6-

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 VIGILANT 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

BY THE SAME TOKEN, I WOULD REMIND THE MEMBERS OF THIS ACADEMY, WHICH IS DEDICATED TO FOSTERING THE SPREAD OF NEW AND IMPORTANT MEDICAL KNOWLEDGE, THAT THE ECONOMIC LIMITATIONS OF THE CURRENT ERA WILL SOON CONFRONT ALL OF US WITH PAINFUL CHOICES.

YOU KNOW

YOU WANT, OR SO I ASSUME, TO SEE THE FEDERAL BUDGET BALANCED THIS YEAR. I KNOW I DO. I CAN'T IMAGINE ANYONE IN THIS ROOM WHO DOESN'T. YET BALANCING A BUDGET IS NOT A PAINLESS OPERATION. MORE SPECIFICALLY, YOU HAVE A RIGHT TO KNOW THAT IF THE BUDGET, IS TO BE BALANCED, IF WE ARE TO GET A HANDLE ON FEDERALLY CAUSED INFLATION, IF WE ARE TO TURN ALL THE RHETORIC ABOUT FREE ENTERPRISE INTO THE GENUINE ARTICLE, THEN WE'RE GOING TO SEE SUBSTANTIAL REDUCTIONS MADE IN MANY WORTHWHILE PROGRAMS, INCLUDING FEDERAL AID TO HEALTH AND HEALTH RESEARCH.

SPECIFICALLY, THE CURRENT BUDGET COMMITTEE RESOLUTION CALLS FOR A \$1.6 BILLION DOLLAR CUT BACK IN MEDICAIDE AND MEDICARE, ALONG WITH A BROAD RANGE OF CUTS IN PUBLIC HEALTH AND MANPOWER PROGRAMS.

AUSTERITY IS NEVER EASY. BUT IT IS NEARER THAN YOU THINK.

THE HEALTH INSURANCE DEBATE

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 SENATE COMMITTEE ON WHICH I SERVE AS RANKING REPUBLICAN, WILL CONTINUE ITS DISCUSSION OF THE ISSUE IN AN ATTEMPT TO REACH SOME ULTIMATE 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.

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. IT IS THE WRONG PLAN, FOR THE WRONG REASON, AT THE WRONG TIME.

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.

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

-11-

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.

-12-

COMPETITION - AN OLD IDEA REBORN

AN OLD CONCEPT WHICH IS IN THE PROCESS OF BEING REDISCOVERED, AND WHICH I'M TRYING TO INSTILL IN ANY CATASTROPHIC HEALTH PLAN, IS COMPETITION. USUALLY OF COURSE, COMPETITION IN WASHINGTON IS THE NECESSARY END REQUIRED TO GET THERE IN THE FIRST PLACE. THEN THE POLITICAL COMMUNITY PAYS LIP SERVICE TO THE IDEA OF COMPETITION AS THE FOUNDATION OF FREE ENTERPRISE. UNFORTUNATELY, THE POLITICIAN'S DISTASTE FOR GENUINE COMPETITION IN THE ELECTORAL ARENA HAS A WAY OF INFLUENCING WHAT HE REALLY THINKS ABOUT THE ECONOMY. POLITICIANS LIKE THE REST OF US, HAVE A WAY OF PREFERRING SECURITY TO RISK. BUT THERE ARE HOPEFUL SIGNS. 1980 IS A WATERSHED YEAR, AND THE ADVOCATES OF PRIVATE COMPETITION HAVE BEGUN CONVERTING CONGRESSIONAL FRIENDS OF PUBLIC PATERNALISM.

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 AQUAINTED WITH THE ADVOCATES OF COMPETITION. FOR INSTANCE, HEALTH CARE ECONOMIST MARTIN FELDSTEIN SURPRISED THE SENATE HUMAN RESOURCES COMMITTEE RECENTLY WITH THE COLD OBSERVATION THAT THE ADMINISTRATION'S HEALTH INSURANCE BILL WOULD ONLY FREEZE 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 -- ALL BASICALLY FRIENDLY TO FELDSTEIN'S IDEAS.

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.

IT'S USUALLY SAID BY THOSE HOSTILE TO THE MARKETPLACE AND IT DOESN'T MEAN THAT WE SHOULDN'T SEEK TO RID THE CURRENT 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 COMBINE TO REDUCE EFFICIENCY AND INCREASE COSTS. IT 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. IT IS AN APPROACH OF ALMOST PURE COMPETITION.

COMPETITION IS AN IDEA THAT MANY WILL SUPPORT IN PRINCIPLE BUT FEW MAY TRULY UNDERSTAND. OTHERS BELIEVE THAT THEIR PART OF THE INDUSTRY, BE IT HOSPITALS, INSURERS, OR PHYSICIANS -- HAVE ENOUGH COMPETITION.

-15-

BUT ONE THING WE CAN ALL AGREE UPON:

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.

HEALTH INSURANCE: A PRACTICAL APPROACH

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 .

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.