

July 27, 1994

TO: Senator Dole
FROM: Vicki *Vicki*
RE: Speech to AEI

You are scheduled to speak to 100 to 200 people at the American Enterprise Institute on Thursday, July 28 at 11:45.

The audience will consist of academics, Congressional and Executive Branch staff, D.C. business leaders, and Washington reps of pharmaceutical and insurance companies.

They would like you to speak for about 20 minutes, outlining what you see happening in the next few weeks. Following there will be about 10 minutes for Q and A.

You are the only person to address the group, outside of AEI. Senator Moynihan was invited to speak, but declined.

Press coverage will be extensive and will include C-SPAN.

The Honorable Robert Dole
July 8, 1994
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I am enclosing with this letter the Grabowski pamphlet and an earlier pamphlet by Hall on community rating.

I hope our invitation interests you; your speaking at our gathering would ensure its success and I would do everything I could to make it worthwhile for you.

With best wishes,

A handwritten signature in dark ink, reading "Christopher DeMuth". The signature is written in a cursive style with a large, stylized "C" and "D".

Christopher DeMuth

Enclosures

American Enterprise Institute for Public Policy Research



Economic Challenges in Health Care Reform

Thursday, July 28, 1994

8:30 a.m.–2:00 p.m.

Wohlstetter Conference Center, Twelfth Floor, AEI

This is the third in a series of AEI conferences featuring leading academics presenting new analyses of issues in the 1994 health care reform debates. Three studies will be presented and discussed. The first paper, by Michael Morrissey, examines the pricing issue of whether hospitals and doctors overcharge fully insured patients to pay for the uninsured. The second, by Henry Grabowski, analyzes the effects of price and supply controls on pharmaceutical innovation. The final paper, by Mark Hall, reviews the effects of implementing small market insurance reforms.

8:30 a.m. Registration, Coffee and Rolls

8:45 Welcome
CHRISTOPHER C. DEMUTH, AEI
ROBERT HELMS, AEI

9:00 **Cost Shifting and Price Discrimination in Health Care Markets**
MICHAEL A. MORRISSEY, University of Alabama at Birmingham

Discussants: CARL J. SCHRAMM, Fortis Inc.
STEVE COLE, Research and Health Financing, Federation
of American Health Systems

Moderator: DIANA FURCHTGOTT-ROTH, AEI

10:00 **The Consequences of Health Care Reform Proposals
for Pharmaceutical Innovation**
HENRY G. GRABOWSKI, Duke University

Discussants: JUDITH L. WAGNER, Health Program, Office of
Technology Assessment, U.S. Congress

(over)

1150 Seventeenth Street, N.W., Washington, D.C. 20036, 202/862 5800

Conference

DAVID SHULKE, Office of Congressman (invited)
Ron Wyden

Moderator: ROBERT HELMS, AEI

11:00 Coffee Break

11:15 **What Can Health Insurance Market Reforms Accomplish?**
MARK A. HALL, Wake Forest University

Discussants: HOWARD COHEN, Committee on Energy and Commerce
JOHN TROY, The Travelers, Inc.

Moderator: MARK PAULY, Wharton School, University of Pennsylvania

12:15 p.m. Luncheon

ECONOMIC CHALLENGES IN HEALTH CARE REFORM

Thursday, July 28, 1994

American Enterprise Institute for Public Policy Research

Wohlstetter Conference Center

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SENATOR BOB DOLE

AMERICAN ENTERPRISE INSTITUTE

JULY 28, 1994

**THROUGHOUT THE PAST YEAR AND
A HALF, THE A.E.I. HAS PLAYED AN
ACTIVE ROLE IN THE HEALTH CARE
DEBATE, SO I'M PLEASED TO HAVE THE
CHANCE TO MEET WITH YOU AGAIN AS
WE APPROACH THE FINISH LINE.**

LET ME CUT RIGHT TO THE CHASE.

I KNOW THE QUESTION ON EVERYONE'S

MIND IS WILL CONGRESS PASS HEALTH

CARE REFORM LEGISLATION THIS YEAR?

THE ANSWER IS I DON'T KNOW.

AND NOBODY KNOWS. NOT BECAUSE WE

HAVEN'T HAD PLENTY OF MEETINGS ON

THIS SUBJECT. NOT BECAUSE THERE

AREN'T GOOD IDEAS OUT THERE. BUT

BECAUSE THERE STILL ISN'T A BILL WITH
ENOUGH VOTES TO PASS.

THE CLINTON BILL WAS FORMALLY
BURIED LAST WEEK. SO THAT'S OUT.

AND IF YOU THOUGHT NOTHING
COULD BE WORSE THAN THE CLINTON
BILL, ALONG CAME THE KENNEDY BILL,
WHICH WAS PASSED BY THE SENATE
LABOR COMMITTEE. LIKE THE CLINTON
BILL, IT HAS TOO MANY TAXES, TOO

**MANY MANDATES, AND TOO MUCH
REGULATION. IT WAS A NON-STARTER
FROM THE WORD GO, AND NOT EVEN
SENATOR KENNEDY EVER HAD A
REALISTIC HOPE IT WOULD COME CLOSE
TO PASSING.**

**THEN THERE'S THE BILL PASSED
BY THE SENATE FINANCE COMMITTEE.
IT'S BEEN ALMOST A MONTH SINCE THE
BILL WAS PASSED OUT OF COMMITTEE,**

AND IT'S STILL NOT DRAFTED. NO ONE
KNOWS EXACTLY WHAT'S IN IT OR
WHAT IT COSTS. AND THE AMERICAN
PEOPLE HAVEN'T EXACTLY BEEN
FLOODING CONGRESS WITH PHONE
CALLS IN SUPPORT OF THE BILL.

THE DOLE-PACKWOOD PLAN HAS
MORE SUPPORT THAN ANY BILL IN THE
SENATE--WITH MORE CO-SPONSORS TO
COME. OBVIOUSLY, I BELIEVE IT IS THE

**BEST BILL UP THERE. AND IF THE
SENATE COULD VOTE BY SECRET BALLOT,
I BELIEVE IT WOULD BE
OVERWHELMINGLY ADOPTED.
BUT IT DOESN'T TAKE A POLITICAL
SCIENCE PROFESSOR TO FIGURE OUT
THAT A CONGRESS CONTROLLED BY THE
DEMOCRATS IS NOT GOING TO PASS
LEGISLATION AUTHORED BY THE SENATE
REPUBLICAN LEADER.**

**SO THAT LEAVES THE "MYSTERY
BILL"--WHICH IS BEING COBBLED
TOGETHER AS WE SPEAK BEHIND
CLOSED DOORS BY HOUSE AND SENATE
DEMOCRAT LEADERS. MAYBE SOME OF
YOU HAVE BEEN INVITED IN FOR
BRIEFINGS OR HAVE BEEN ON THE
RECEIVING END OF SOME LEAKS. IF SO,
PLEASE RAISE YOU HAND AND FILL ME
IN.**

**IT IS UNFORTUNATE THAT THIS
PROCESS IS ENDING AS IT BEGAN--IN
SECRET, AND WITHOUT BI-PARTISAN
COOPERATION.**

**AS YOU REMEMBER, THE CLINTON
PLAN WAS WRITTEN IN THE WHITE
HOUSE WAR ROOM. REPUBLICANS
OFFERED TO HELP, AND WE WERE
TURNED DOWN FLAT.**

**IT WASN'T UNTIL OCTOBER 27,
1993 THAT THE CLINTON
ADMINISTRATION FINALLY COMPLETED
THE DRAFTING PROCESS AND
TRANSMITTED THE BILL TO CONGRESS.
AND THE FIRST POLL OF THE
AMERICAN PEOPLE INDICATED THAT 64%
OF THE AMERICAN PEOPLE SUPPORTED
THE PLAN AND ONLY 30% OPPOSED IT.**

**THEN THE PRESIDENT, THE FIRST
LADY, AND THE ENTIRE ADMINISTRATION
FANNED OUT ACROSS AMERICAN IN
SUPPORT OF THE PLAN.**

**AND YOU KNOW WHAT HAPPENED.
THE MORE THE AMERICAN PEOPLE
LEARNED ABOUT THE PLAN, THE LESS
THEY LIKED IT. THEY DIDN'T LIKE THE
COMPLEXITY. THEY DIDN'T LIKE THE
MOUNTAIN OF BUREAUCRATS BETWEEN**

**THEM AND THEIR DOCTORS. THEY
DIDN'T LIKE THE PRICE CONTROLS. THEY
DIDN'T LIKE MANDATORY ALLIANCES.
AND THEY CERTAINLY DIDN'T LIKE THE
TAXES.**

**AND SHORTLY BEFORE THE PLAN
WAS SCRAPPED, SUPPORT FOR THE
CLINTON PLAN HAD DROPPED ALL THE
WAY TO JUST 37% AND WAS HEADING**

**SOUTH, WHILE OPPOSITION HAD
CLIMBED TO 49%.**

**NOW, THE AMERICAN PEOPLE ARE
HOLDING THEIR BREATH, WAITING TO
SEE WHAT COMES OUT OF THIS NEW
ROUND OF SECRET MEETINGS.**

**I HAPPEN TO BELIEVE THAT IF IT'S
ANYWHERE CLOSE TO THE PRODUCT THE
PRESIDENT TRIED TO SELL, THEN THE
AMERICAN PEOPLE--THE REPUBLICANS IN**

**CONGRESS--AND SOME DEMOCRATS, AS
WELL--WON'T BUY IT.**

**BUT I ALSO BELIEVE THAT IF THEY
CHOOSE TO FIX THE PARTS OF OUR
SYSTEM THAT TRULY NEED FIXING...AND
IF THEY MAINTAIN THE QUALITY AND
CHOICE AMERICANS HAVE COME TO
EXPECT, THEN WE CAN STILL SEND A
BILL TO THE PRESIDENT'S DESK THIS
FALL.**

**IF THAT IS TO BE THE FINISH LINE,
HOWEVER, THEN WE HAVE TO TRAVEL
DOWN THE REMAINDER OF THE ROAD IN
A BI-PARTISAN BASIS. AND WE CAN'T
SPEND OUR TIME GETTING DETOURED
ONTO PATHS THAT ONLY LEAD TO
CONFRONTATION.**

**UNFORTUNATELY, WE'VE HAD A
LOT OF THOSE DETOURS DURING THIS
DEBATE. THE WHITE HOUSE DECIDED**

**FOR A WHILE THAT THIS WASN'T A
SEARCH FOR SOLUTIONS, IT WAS A
SEARCH FOR VILLAINS--AND THEY TOOK
OFF AFTER THE INSURANCE AND
PHARMACEUTICAL INDUSTRIES.**

**AND THEN WE WASTED SEVERAL
WEEKS DEBATING WHETHER OR NOT WE
HAD A HEALTH CARE CRISIS OR JUST A
SERIOUS PROBLEM. AND THE WHITE
HOUSE SUGGESTED THAT IF YOU DIDN'T**

**BELIEVE WE HAD A CRISIS, THEN YOU
COULDN'T PARTICIPATE IN THE DEBATE,
AND WEREN'T QUALIFIED TO HELP FIND A
SOLUTION.**

**THEN, THE WHITE HOUSE AND THE
DNC DECIDED THAT THIS ISN'T A DEBATE
ABOUT POLICIES, IT'S A DEBATE ABOUT
PERSONALITIES. IT'S BILL CLINTON VRS.
BOB DOLE. IT'S DEMOCRATS VRS.
REPUBLICANS. IT'S A DEBATE ABOUT**

**WHICH PARTY CARES MORE ABOUT THE
"MIDDLE CLASS."**

**I NEVER HAVE LIKED THE TERM
MIDDLE CLASS. I THINK PRESIDENT
NIXON HAD IT RIGHT WHEN HE USED THE
TERM "SILENT MAJORITY."**

**THEY ARE THE MEN AND WOMEN
WHO WORK HARD, WHO PAY THEIR
TAXES, WHO HOPE FOR A BETTER
FUTURE FOR THEIR CHILDREN, AND WHO**

**SALUTE THE FLAG. THEY BELIEVE IN THE
GREATNESS OF AMERICA--A GREATNESS
WHICH THEY KNOW COMES NOT FROM
THE GOVERNMENT, BUT FROM THE
PEOPLE.**

**AND HERE'S WHAT I BELIEVE
THESE AMERICANS ARE LOOKING FOR IN
HEALTH CARE REFORM. AND, BY THE
WAY, THEY ARE THE SAME INGREDIENTS
THAT I BELIEVE MUST BE INCLUDED IF**

**ANY LEGISLATION IS TO RECEIVE
SUBSTANTIAL BI-PARTISAN SUPPORT.**

**QUALITY: AMERICA IS THE
MEDICAL MIRACLE WORKER OF THE
WORLD. THANKS TO ADVANCES IN
TECHNOLOGY, WE CAN SAVE THE LIVES
OF THE SMALLEST NEW BORN, CAN
MANUFACTURE JUST ABOUT EVERY
BODY PART, AND HAVE DEVELOPED
DRUGS THAT MAKE LIFE WORTH LIVING**

**FOR MANY WHO PREVIOUSLY HAD NO
HOPE. AND WHATEVER REFORM WE
ADOPT, MUST NOT LESSEN THE QUALITY
OF AMERICAN HEALTH CARE BY ONE
DEGREE.**

**CHOICE: JUST AS AMERICANS
WANT TO MAINTAIN THE QUALITY OF
HEALTH CARE, THEY ALSO WANT TO
MAINTAIN THE FREEDOM TO CHOOSE**

**WHAT TYPE OF CARE BEST FITS THEIR
NEEDS.**

**ANY PLAN THAT MANDATES A
"ONE SIZE FITS ALL" OR CLINTON-STYLE
UNIFORMITY IS A NON-STARTER.**

**TAXES/MANDATES: ANOTHER NON-
STARTER IS ANY PLAN THAT CONTAINS
BIG, BIG, TAX INCREASES.**

**AND WHEN I SAY TAXES, I ALSO
MEAN MANDATES. BECAUSE A**

**MANDATE IS A TAX. AND BY
MANDATING AMERICA'S EMPLOYERS TO
PAY FOR HEALTH INSURANCE, THE COST
OF LABOR GOES UP. THE EMPLOYER
THEN HAS TWO CHOICES. RAISE THE
PRICE OF YOUR PRODUCT, OR REDUCE
YOUR PAYROLL. EITHER OF THESE
OPTIONS IS BAD NEWS FOR MIDDLE-
INCOME AMERICANS.**

**THE GOOD NEWS IS THAT THE
DOLE-PACKWOOD PLAN DOES NOT
IMPOSE A SINGLE TAX OR A SINGLE
MANDATE ON AMERICA'S EMPLOYERS--
NOT TODAY, NOT TOMORROW, NOT ANY
TIME IN THE FUTURE.**

**THERE ARE MANY AREAS OF
AGREEMENT BETWEEN ALL THE PLANS
THAT HAVE BEEN PROPOSED--
PORTABILITY, PRE-EXISTING CONDITIONS,**

AND OTHER INSURANCE MARKET REFORMS.

**CONGRESS COULD AND SHOULD
HAVE PASSED THESE REFORMS A YEAR
AGO, AND IF WE CAN'T AGREE ON
ANYTHING ELSE WE SHOULD STILL PASS
THEM.**

**I CAN'T PREDICT PRECISELY WHAT
WILL HAPPEN IN THE NEXT FEW WEEKS.
BUT I DO KNOW THAT SENATOR BYRD**

**MADE A VERY COMPELLING POINT ON
THE SENATE FLOOR YESTERDAY.**

**SENATOR BYRD SAID, "NOTHING
LESS THAN THE HEALTH, FINANCIAL
SECURITY, AND THE VERY LIVES OF
MILLIONS OF PEOPLE ARE BEING DEALT
WITH WHEN WE START TO CONSIDER
RADICAL CHANGES IN THE HEALTH CARE
SYSTEM OF THIS NATION...WE HAD
BETTER DO WHATEVER WE ARE GOING**

TO DO WITH GREAT CARE...A BOTCHED
JOB OF REFORM COULD BE
DISASTROUS...SO I URGE EVERYONE ON
ALL SIDES OF THIS DEBATE TO PIPE
DOWN, SLOW DOWN, PAUSE, AND GET
SERIOUS ABOUT THE MONUMENTAL
TASK WHICH LIES AHEAD...THIS IS NO
TIME FOR SLOPPY LEGISLATING."

SO THAT'S WHERE WE ARE ON
HEALTH CARE. AND I BELIEVE THE MOST

**IMPORTANT THING FOR THE REPUBLICAN
PARTY IN THE COMING WEEKS IS THAT
WE REMAIN TRUE TO OUR PRINCIPLES.**

**THE MISSION OF OUR PARTY IS
NOT JUST TO CUT THE DEMOCRATS
PROGRAMS IN HALF, OR MEET THEM
SOMEWHERE IN THE MIDDLE. BUT THE
MISSION OF OUR PARTY IS ALSO NOT TO
CLOSE OUR EYES TO PEOPLE WHO NEED
HELP. SO IF THE PRESIDENT AND THE**

**DEMOCRATS COME OUR WAY...IF THEY
WANT A MARKET-BASED APPROACH
THAT BUILDS ON THE BEST HEALTH
CARE SYSTEM IN THE WORLD, AND THAT
LEAVES PEOPLE IN CHARGE, THEN
REPUBLICANS WILL HELP.**

**BUT IF THEY WANT TO PASS A
BAD BILL, THEN THIS REPUBLICAN WILL
SAY THAT NO BILL IS BETTER, AND**

**WE'LL TAKE IT TO THE VOTERS THIS
NOVEMBER.**

**THAT'S MY PREDICTION OF WHAT
LIES AHEAD. BUT BEFORE I TAKE
QUESTIONS, LET ME LEAVE YOU WITH
THE WORDS OF WINSTON CHURCHILL.
SOMEONE ASKED CHURCHILL WHAT
QUALIFICATIONS WERE ESSENTIAL FOR A
POLITICIAN. AND HE SAID, "THE ABILITY
TO FORETELL WHAT WILL HAPPEN**

**TOMORROW, NEXT MONTH, AND NEXT
YEAR--AND THE ABILITY TO EXPLAIN
AFTERWARDS WHY IT DIDN'T HAPPEN."
THANK YOU.**