Remarks on the Bush FY 91 Health Budget
to the
California Hospital Association
January 31, 1990

o Good morning. I'm reluctant to ruin your breakfast, but I've been asked to talk to you about the Bush Health Budget -- specifically about Medicare, Medicaid, and AIDS.

o I had the pleasure of meeting yesterday with some of you. I heard about trauma centers closing, high levels of uncompensated care, boarder babies, and other problems.

-- Well, the Bush Administration understands your problems. That's why it's targetted Medicare hospitals for over $3 billion in cuts.

Introduction--Bush Budget Is Dishonest

o Actually, this is no laughing matter. What we're facing here is a very serious problem.

-- I think most of us in this room recognize that the way in which we deliver and pay for health care in this country is breaking down, and that some major changes will have to be made.

o The Bush Administration's answer is lots of rhetoric about Pac-Men and Cookie Monsters and Unfunded Liabilities and Potential Bankruptcy and Investing in the Future. It's kinder. It's gentler. And it's dishonest.

o If the Administration really wants to invest in the future, if it really wants to reduce unfunded liabilities, I have some suggestions:

-- For starters, the President could live up to his campaign promises to expand Medicaid for poor pregnant women and children. Is there a better investment in our future than prenatal care or preventive care for kids?

-- He could plan for basic infectious disease control, including immunizations. If there ever was an unfunded liability, it's an unimmunized child in the current measles outbreak.

-- He could adequately fund AIDS prevention and treatment, and could help infected people get drugs that will slow the deadly progess of AIDS. Talk about bankruptcy. If we don't slow the AIDS epidemic, whole neighborhoods will be wiped out, and hospital providers of last resort may well be overwhelmed by the sheer numbers of people needing care.

Medicare

o Let me get specific. I'll start with Medicare.

o The President would reduce the PPS update for hospitals to 4.1 percent, or a point-and-a-half below market basket.

o Sticking with, and to, hospitals, he would cut over a billion dollars out of the indirect teaching adjustment, would cut $1.3 billion out of the capital payments for urban hospitals, and would reduce payments for direct medical education by nearly $200 million.

o Outpatient hospital services would be cut 10 percent across the board, and outpatient hospital capital would be paid only at 75 cents on the dollar in urban areas.

o Physician fees, other than primary care, would be frozen or substantially reduced. Radiologists, anesthesiologists, and surgeons would be singled out for special reductions.

o Existing caps on clinical lab tests and home oxygen would be reduced and new caps placed on durable medical equipment and diagnostic tests.

o All state and local public employees not already paying the Medicare payroll tax would be reguired to do so.

o The President's Medicare cuts, totaling $5.5 billion, are mindless budget proposals, devoid of any policy objective, or any strategy for improving the program, or any understanding of how the health care needs of the elderly and disabled should be met.

o The President will argue that his proposals are simply extensions

of, or analogous to, the kinds of things Congress has fashioned or approved before. This doesn't wash.

-- First, the fact that it was done before doesn't make it right.

-- Second, the fact that "X" millions of dollars have been taken away without apparent disaster doesn't mean that "2X" or "3X" can be absorbed.

-- Third, the fact that a reduction made some sense in one setting, or for one type of service, does not mean it can properly be transferred to a different setting or a different type of service.

o The President should stop pressing for arbitrary cuts in Medicare payments to hospitals, physicians, and other health care providers. We have yet to learn what the consequences have been from the previous $40 billion in cuts. We cannot assume that Medicare is a bottomless pocket for deficit reduction. We cannot assume that cuts can simply be multiplied, without adversely affecting patients.

Medicaid

o Medicaid. I'm old fashioned about promises. I think people ought to keep them.

-- Candidate Bush promised to extend coverage to pregnant women and infants up to 185 percent of poverty. His budget doesn't do so.

-- Candidate Bush promised to cover all poor kids. His budget doesn't do so.

-- Candidate Bush promised to expand Medicaid, through a "buy-in," to help meet the needs of the uninsured. His budget doesn't do so.

-- Instead, what Mr. Bush is proposing to do is to herd all Medicaid

beneficiaries into case management. Many of you will remember back to the early 70's, when Governor Reagan tried the same thing in California through poor people's prepaid health plans. PHP's were a lousy idea then, and they're a lousy idea now.

-- Mr. Bush is also proposing to end Federal payments to the States for surveys of hospitals and nursing homes to determine whether they meet minimum requirements. It sounds like he just wants to shift $113 million in Federal survey costs to providers through user fees. Presumably, you and the nursing homes would then simply bill Medicaid for these compliance costs.

AIDS

Let me also say a few words about the Federal response to the AIDS epidemic.

The most obvious characterization is: "Too little too late."

Although we have evidence that AIDS education works, the Administration has continued to oppose Federal efforts, meaning only that the epidemic will continue longer and the infection rates will be higher.

Although we have developed drugs that can slow the progress of the disease and prevent the pneumonia that is its most devastating and costly infection, the Administration continues to oppose Federal efforts to get these drugs to people.

Although we have found a counseling and testing strategy that might actually help people find out that they are infected and get themselves on early drugs, the Administration continues to hope

that most people at risk will find a private doctor and pay for their own tests.

It's disgraceful. After years of neglect from the Reagan Administration--that opposed research programs, counseling programs, and any education except sermons about sex--the Bush Administration has now decided to oppose treatment programs.

And you, as hospitals, will be feeling this neglect first.

CDC estimates that at least one million Americans are infected.

And CDC suggests that many of these people, if not most, are nearing the time when early intervention drugs are needed to prevent the need for hospital care.

Nationwide, forty percent of AIDS patients are Medicaid beneficiaries.

And, of course, many others have no source of payment.

I want to work on two specific AIDS provisions in this legislative year.

First, and most pressing, we must find a way to get people to get tested, and--if they are infected and immune-compromised--begin early intervention drugs.

If we can do this, we will save years of life and thousands of needless hospitalizations.

Second, we must improve Medicaid's reimbursement levels for hospitals that deal with a large number of AIDS patients.

Everybody loses money on AIDS care. It's clear that AIDS patients in a hospital require additional of nursing care, lab tests, and ancillary services.

Those hospitals who take care of <u>a lot</u> of AIDS patients lose <u>a</u>

lot of money. If we expect to keep having hospitals available for such care, we must be prepared to pay more adequately for it.

There are a lot of other things to be done about AIDS.

We must continue our basic and clinical research.

We must make drugs more accessible, both on an experimental basis and after approval.

We must try to control drug prices better.

We must provide for drug abuse treatment for those who want to quit.

All of these agenda items require that we also remind the President that the epidemic is not only NOT over but is getting worse. There's no sign that the Administration appreciates that.

Conclusion

o There is a glimmer of hope. There are some Democrats and Republicans on the Hill who recognize that our health care system is breaking down and are trying to develop some broader solutions.

-- As you know, the Pepper Commission is scheduled to report on March 1 with recommendations for dealing with the problem of the uninsured and the issue of long-term care.

-- I don't think anyone can be certain at this point how things will come out. There is a wide range of views among the 15 Commissioners.

-- But Senator Rockefeller, who chairs the Commission, is very serious about producing something useful, and I think he stands a good chance of doing so.

-- Whatever the Commission finally decides to recommend, it is not likely to be enacted this year. But I intend to begin the process of hearings and education that will hopefully lead to the enactment of reforms in the next Congress.