Chairman
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Subcommittee on Health and the Environment

to
BLUE CROSS AND BLUE SHIELD
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Good morning, and thank you for the opportunity to talk to you today. I'm going to have to be very brief, because the House Democratic Caucus is meeting this morning at 9:00 a.m. At issue is whether a very bad Budget Summit proposal will stand, or whether the process collapses.

The budget process is always frustrating for everyone involved, but it seems to be particularly difficult this year. The amount of cuts being discussed is outrageous, the schedule that is in store for consideration is impossible. By last reports the two parties were haggling over whether to cut Medicare by $52 billion over 5 years (the Democratic proposal) or $64.5 billion (the Administration proposal). Both take substantial amounts from beneficiaries. And of course the cuts continue for providers. So the choice seems to be between something very bad and something even worse.

The most disheartening thing of all is, with all the problems facing America's health care system today, the budget

deficit process is just not the way to make rational health policy.

When we're talking about multi-billion dollar debt reduction strategies and mega-defense spending, Congress and the Administration always seem to lose sight of the fact that 37 million people in this country still don't have health insurance. Or that public hospitals across the nation are staggering under the burden of uncompensated care. Or that thousands of pregnant women and children simply don't have access to cost-saving prenatal and preventive care. So we fight this cut and that reduction, and ignore the system that is crumbling all around us.

Medicare Budget Pressures

Nowhere is this approach to quote "health policy" more damaging than in the Medicare and Medicaid programs.

As is painfully clear, the Budget Summit now in progress is looking to Medicare to bear a massive portion of the deficit reduction effort for 1991 and the next five years. And the specter of a massive, across-the-board cut may make this option look appealing to some. But the choice is not between sequester or savaging Medicare -- it should be between sequester and a reasonable, balanced tax policy. While the budget deficit problem is real and demands action, it should not be an excuse for

reckless and irresponsible attacks on essential health programs like Medicare and Medicaid.

We are looking at between $30 billion and $33 billion in provider cuts in the summit. This after years of reductions. Medicare has not been sheltered from budget-driven reductions in recent years -- in OBRA 87 and OBRA 89, cuts totaling $4.7 billion over three years, and $5.4 billion over five years, respectively, were enacted. We cannot continue constant cuts in reimbursement rates and not feel the effect on quality and access.

Equally reprehensible are the effects of large increases in cost-sharing on the low-income and moderate income elderly. Forty percent of the elderly population have incomes less than 200 percent of the Federal poverty standard. While some of these people are so poor that they qualify for the minimum services of Medicaid, nearly a quarter of all elderly Americans rely entirely on Medicare as their only form of health insurance. So when they face higher premiums, higher deductibles, more coinsurance, they carry a heavy financial burden.

One of the few ideas to emerge from recent budget talks that merits serious consideration is being looked to for additional savings: that is the effort to strengthen the Medicare secondary

payment rules. While current law requires Medicare coverage to be secondary for those disabled beneficiaries who have private coverage through their employment, the Office of Management and Budget has recommended creating a special new agency to assure that any private coverage is primary to Medicare, Medicaid, VA, or CHAMPUS. At present, the IRS makes available employment data to Medicare to assist in the enforcement of the secondary payer rules. The extension of this Medicare program makes sense and, if feasible and cost-effective, we should extend it to other federal health programs as well.

But one good idea doesn't translate into a reasonable budget agreement. What we do in addition will, in my view, damage a program that provides access to health care for millions of the elderly and disabled.

Medicare Supplemental Policies

Let me mention a legislative initiative which I believe has some urgency. The existing federal policies effecting the marketing of private Medicare supplemental insurance -- or Medigap policies as they are more commonly known -- depend on the willingness of States to enact standards recommended by the National Association of Insurance Commissioners (NAIC).

Considerable evidence has accumulated that enforcement of these standards is uneven, and that marketing abuses continue in many areas.

As a consequence, along with my colleagues Ron Wyden and Doug Walgren, I have been working on legislation to strengthen the existing NAIC Medigap standards, and to assure federal enforcement of standards in those instances where States are unable or unwilling to act. We have benefited from testimony provided by this Association, and by considerable informal consultation which Blue Cross and Blue Shield organizations have provided.

At this point I believe we have developed a bill which can be broadly supported by the insurance industry, the NAIC, and consumers. If we have the opportunity, I intend to include such a proposal in the budget reconciliation package of the Commerce Committee. I think we are on the verge of taking very important steps to assure that all our seniors have access to appropriate private supplemental Medicare policies. I look forward to your continuing support as this legislation moves through the Congress.

Medicaid

Let me now turn to Medicaid. As you know, I've been

working for several years now to make some long-overdue improvements in the program. The Budget Resolution adopted earlier this year by the House set aside resources for 6 initiatives. But again, the summit news is disheartening.

It seems the budgeteers are willing to sacrifice needed program improvements for the poor so that they can avoid raising income taxes for the rich. We need better coverage for pregnant women and infants with incomes below 185 percent of the Federal poverty level. The President promised it, the House Budget Resolution endorsed it, but the Budget Summit appears to be ready to abandon it.

The Medicaid Child Health Amendments would also have implemented a campaign promise of President Bush to phase in Medicaid coverage for all children in families with incomes below 100 percent of the Federal poverty level.

The Medicaid Frail Elderly Community Care Amendments of 1990, would have allowed States to cover home and community-based services for low-income, functionally disabled elderly individuals. We all agree we need alternatives to institutional care. But we have to spend some Medicaid dollars to develop these programs.

The Medicaid AIDS and HIV amendments would allow

States to extend Medicaid coverage for preventive drugs and physician services to low-income individuals who are infected with the HIV virus. Under this bill, about 80,000 people would receive preventive drugs and medical care next year. It makes a lot of health policy sense to spend that money now to prevent larger Medicaid expenditures later. But the Summiteers are turning a deaf ear.

These proposals are modest, incremental expansions. They won't resolve the crisis of health care for the uninsured. They won't solve this country's long-term care problem. But they would improve the Medicaid program for hundreds of thousands of poor women, children, elderly, and disabled people. I regret their needs are not compelling enough or their voices loud enough to be heard at the Summit.

Health Care for the Uninsured

This brings me to the issue of the 31 to 37 million people in this country who are uninsured -- the people who are looking to Washington to improve their situation.

As you know, I am a member of the Pepper Commission, and I joined in the Commission's recommendations for both the uninsured and long-term care.

The Commission's full report will be released next Tuesday. It is not a perfect document. But I believe that it outlines what is really on the only politically viable solution to the uninsured crisis.

What are our choices? Basically, we have three:

o a Canadian-style approach, using regional governmental payors

o an employer-based approach, like the "pay or play" proposal of the Pepper Commission; or

o tinkering with the current financing system by expanding Medicaid and reforming the small business insurance market.

If you look at the Pepper Commission report, you'll find that the employer-based approach reaches most of the uninsured without inordinately high Federal spending.

Tinkering with the current system is nearly as expensive but does not reach the majority of the uninsured.

A Canadian approach would reach all of the uninsured, and has the advantage of allowing the government to protect

consumers from health care cost increases. But I do not believe that most Members are prepared to vote for the changes in our existing financing and delivery systems which this would require.

I do not mean to suggest that there is broad support for the Pepper Commission's employer-based approach. But I do believe that, when they think about it, most Members will recognize that in order to address the problem of the uninsured we have to build upon the system we have now. And that system is a jobs-based system.

Of course, even if we are able to persuade the Congress to enact the Commission's reforms, we'll have to persuade the President to sign it.

The President has already walked away from his campaign promises to expand Medicaid coverage to all pregnant women and infants below 185 percent of poverty and to all children in families below 100 percent of poverty.

This past July, Secretary Sullivan gave a speech in Atlanta opposing a Canadian-style approach because it would, in his words, lead to "de facto rationing," and opposing a employer-based approach because it would, in his words, impose "overly burdensome mandates on business."

So we know what the Administration is against.

They are against incremental Medicaid expansions for high-priority populations like pregnant women and children.

They are against broad system reforms along the lines of a Canadian-style solution or an employer-based approach.

So, what do you suppose they are for? As far as I can tell, what they are for is convening task forces to study the problem.

I don't believe that the American people will find this acceptable. The high cost of health care, the unaffordability of small business insurance, and the inaccessibility of basic health care for the uninsured are not problems that will fix themselves. They will only get worse, particularly if the economy goes into a deep and long recession.

Both the Congress and the President have a responsibility to address this crisis. However shortsighted the outcome of this current Budget Summit, the problems will not go away. I hope that your association will work with us in the public sector to develop a workable and realistic solution.