REMARKS BY HENRY A. WAXMAN TO THE NATIONAL MANAGED HEALTH CARE CONGRESS

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It is a pleasure to be here with you today.

As you might imagine, it is not such a pleasure for me to discuss the changes that have occurred in the Congress since I last addressed this group, but the changes are a reality we are all learning to live with--some more happily than others--and I welcome the opportunity to exchange views with you about how the health care debate has changed in the new Congress.

Certainly no change has been more dramatic than the change in context for the debate. Only a year ago, we were debating the best way to bring universal health care coverage to all Americans. Now we are discussing how to block grant Medicaid and undo the entitlement to benefits of people who have

long been covered under that program.

A year ago we were discussing providing comprehensive benefits and choice of provider. Now we are discussing how to lower the expectations of the elderly that they are entitled to the comprehensive package of Medicare benefits and the choice of providers they have long been accustomed to.

Only a year ago, we were discussing Federal standards for insurance regulation. Today we are discussing how to undo the Federal regulations that we've got.

Only a year ago, we were talking about comprehensive reform. Now we are talking about incremental steps on which there is broad agreement.

Did we bite off more than we could chew last year? Did we end up trying a defend a plan that made too many dramatic changes in our health care system and how it worked? Probably.

But do not think that because we failed last year

and our sights have been lowered that the problems we were struggling with last year are any less real, or that the difficulty of finding workable solutions with broad public support are any easier.

And make no mistake, the approachs we're hearing about this year have one common thread: they're going to shift a lot of the cost and a lot of the problem over to the private sector.

AREAS OF AGREEMENT

Let's talk about what we can agree on, and where I think the potential for action is highest. That area is clearly some basic insurance reforms--portability of coverage from one job to another, limits on preexisting condition limitations, guaranteed renewability.

Those reforms were in the Clinton proposal, and they are found in virtually every health reform measure introduced this year. Almost without doubt, before this Congress is done, they will become law.

These reforms are almost as notable for what

they don't do as for what they do accomplish.

Portability of insurance coverage will help to eliminate job lock; but if you move from a job with health coverage to one without, portability might not be of much help. Setting limits on preexisting condition provisions might help some who now are uninsurable get access to health insurance coverage, but it won't make it affordable.

Nonetheless, I expect we will enact them.

But once you move beyond this relatively small list, the reforms that are without controversy become harder to find. Guaranteed issue? There is a great deal of controversy about that, and what impact it would have on the rates of people insured now. Limitations on the variability of premiums? Definitely controversial. Help to the States to set up their own reform systems? No one knows better than the people in this room the controversy involved there.

ERISA AND SELF-INSURANCE ISSUES

Let me turn for a moment to issues that I know are of primary interest to this group--issues related to changes in ERISA and the climate for self-insurance.

Even among the Republican majority in the House, we see some significant variation in view. The Chairman of the Health Subcommittee of the Committee on Ways and Means, Bill Thomas, has introduced legislation that would stop self-insurance of firms of less than 50 employees.

On the other hand, the Chairman of the Employer/Employee Relations Subcommittee of the Economic and Educational Opportunities Committee, Harris Fawell, has introduced legislation that makes it easier for small firms to self-insure.

Quite a difference in approach.

Resolving the differences won't be easy. And however they are settled, Democrats like myself will be urging strong solvency and consumer protection standards for all ERISA plans, large or small. In the end, I think the public is with us on that. And

frankly, although it might not seem that way to you know, I think it's in your long-term interest as well.

STATE ROLE

Even if the majority party is not quite as interested in the application of more stringent standards as I might be, there does remain a tension between the Republican goal of Federal assurance of less regulation of ERISA plans and the movement toward greater primacy of the States in health care.

Because make no mistake about it, when you block grant Medicaid and remove Federal requirements on the States, when you move toward a voucher system in Medicare where State regulated insurance plans will become an option for Medicare beneficiaries, when you say to the States you work out how you're going to take care of the uninsured--that is a climate of State control. That is not conducive to saying to the States, keep your hands off of our ERISA plans.

If the Federal government simply makes a block grant payment to the States for health care coverage of the poor and uninsured, a contribution which doesn't increase when times are bad, when there is a recession, when people lose their jobs and their insurance--States are going to be increasingly desperate for revenue to address the problem.

Taxing employers' health plans is going to look attractive to some of them. I think you all had better think long and hard about that.

My only point is this: as we all know too well, health care problems are not simple, and certainly they are interrelated.

When the number of uninsured goes up, people who are insured end up bearing part of the cost in the form of increased premiums.

When some insurers pick off healthier parts of the market, the cost and availability of coverage to others is going to be affected.

When the Federal government reduces its financial contribution to health care programs, the pressure for somebody else to pick up the slack is going to be enormous.

WARNING ON BUDGET CUTS

I know there are a lot of different views in this room about the political revolution we had with the last election. Undoubtedly, on a personal level, many of you are quite pleased with the outcome.

But I am here to tell you that whatever you think personally, everybody in this room who cares about coverage for quality health care should be worried about the impact of what is afoot.

I believe we face in Washington today a more serious threat to high quality and humane health care programs than any of us would have thought possible only a few months ago.

We see such a focus on reducing Federal spending that we see little concern about the effect it

will have not only directly on our public programs, but on our system of private health insurance and indeed on our health care system itself.

We cannot make massive cuts in the level of support of our public programs without shifting many of those costs to the private sector and without seeing dramatic increases in the number of people without any health care coverage. That has implications for all of us.

Senator Packwood publicly estimated a few days ago that we would be looking for some $400 billion in Medicare and Medicaid savings in the budget that is being developed now.

If we do anything like that, in just five years, we'd be spending nearly 15% less in Medicare than we expect to today, and we'd be reducing our projected support for Medicaid by nearly a fifth of total program funds.

We flat out cannot take that kind of money out of the health care system in just five years and not

expect massive and damaging changes.

There are not those kind of savings to be had in these programs.

Reimbursement rates in Medicaid are already low. A third of Medicaid families are already in managed care. No provider network is going to significantly reduce the 37% of Medicaid funds we spend on people in nursing homes. It's hard to see where these massive savings are going to come from--except by making more people uninsured.

We've got to be realistic about Medicare savings as well. Sick and disabled people have never been prime candidates for large managed care savings. Yet these are precisely the people who account for most of our Medicare spending. 5% of the Medicare population accounts for 50% of the expenditures; 25% for 91% of all Medicare payments!

The sad fact is you can't stop people from getting old and getting sick. And when they do, they cost money. Period.

CONCLUSION

We've all got a stake in what happens to health care in this Congress.

The reforms we make in our private health care coverage system may be modest. They may do some real good, and certainly little harm.

What we do to our public programs is a different story. And if we proceed on the course we seem set on, none of us will fail to feel the effects.

I expect you to follow your own private interests in this debate. That is appropriate. But do not forget that we continue to have common interests. And unless we all act to protect those, the health reforms we hope for will prove illusory indeed.

Thank you.