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Montana Gerontology Society Conference (2)

Max S. Baucus

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SPEECH BY MONTANA SENATOR MAX BAUCUS
TO THE MONTANA GERONTOLOGY SOCIETY CONFERENCE
MAY 12, 1984

THANK YOU VERY MUCH FOR INVITING ME TO BE WITH YOU TODAY.

BEFORE I BEGIN, I'M REMINDED OF A TRUE STORY MY FRIEND THE GOVERNOR OF OHIO TELLS.

HIS GRANDPARENTS WERE CELEBRATING THEIR 50TH WEDDING ANNIVERSARY. HIS GRANDFATHER WAS GROWING VERY DEAF.

THEY WERE SITTING OUT ON THE FRONT PORCH AND HIS GRANDMOTHER TURNED TO HER HUSBAND AND SAID, "TED, I'M REAL PROUD OF YOU." AND HE TURNED TO HER AND SAID, "BESSIE, I'M REAL TIRED OF YOU TOO."

WELL, AN HOUR LATER THEY WERE LYING IN BED, AND BESSIE TURNS TO TED, AND SAYS, "TED, DO YOU REMEMBER WHAT WE WERE DOING 50 YEARS AGO TONIGHT?

AND TED SAYS, "I SURE DO," AND HE GETS OUT OF BED AND HEADS TOWARD THE BATHROOM. AND BESSIE GETS UPSET AND STARTS SOBBING AND SAYS, "TED, YOU DON'T REMEMBER WHAT WE WERE DOING 50 YEARS AGO, DO YOU?"

TED SAYS, "I SURE DO. I WAS NIBBLIN' ON YOUR EAR. AND I'M GOING TO GET MY DENTURES."

I WANT TO SPEAK BRIEFLY ABOUT A SORE SUBJECT: HEALTH CARE COSTS.

LIKE IT OR NOT, THE COST OF GETTING SICK IS BECOMING A NATIONAL CRISIS. HEALTH CARE COSTS MAY BE THE NUMBER ONE DOMESTIC ISSUE DURING THE 80'S.

I PLAN TO TALK THIS MORNING ABOUT "THE EFFECTS OF RISING HEALTH CARE COSTS ON THE ELDERLY."

BUT I WANT TO EMPHASIZE FIRST THAT SPIRALING HEALTH CARE COSTS AFFECT EVERY AMERICAN REGARDLESS OF AGE.

HEALTH CARE COSTS DIRECTLY CONTRIBUTE TO AMERICAN INDUSTRY'S LOSSES IN THE WORLD MARKETPLACE. U.S. STEEL, FOR EXAMPLE, ESTIMATES THAT THE COST OF HEALTH BENEFITS ADDS AN EXTRA $20 TO THE PRICE OF EACH TON OF STEEL.

AND AMERICAN AUTO MAKERS FIGURE THE COST OF EMPLOYEE HEALTH BENEFITS AT $400 ON EACH CAR PRODUCED.

JOE CALIFANO, THE FORMER SECRETARY OF HEALTH, EDUCATION, AND

WELFARE, TOLD ME JUST A COUPLE OF WEEKS AGO THAT THE HEALTH COSTS OF CHRYSLER CORPORATION EMPLOYEES ARE FOUR TIMES WHAT THEY ARE FOR THEIR JAPANESE COUNTERPARTS.

HE SAID THE MAJOR SUPPLIER FOR THE CHRYSLER CORPORATION IS NOT STEEL -- AS YOU WOULD EXPECT -- BUT BLUE CROSS AND BLUE SHIELD.

HEALTH CARE COSTS CONTINUE TO SKYROCKET, EVEN THOUGH OVERALL INFLATION IS VERY LOW. AND SPENDING FOR HOSPITAL CARE IS THE LARGEST COMPONENT OF THAT INFLATION.

DURING EACH OF THE LAST TEN YEARS, HEALTH CARE COSTS GENERALLY HAVE INCREASED AS MUCH AS THREE TIMES THE AVERAGE GENERAL INFLATION RATE.

MEDICARE COSTS HAVE RISEN AT ABOUT THE SAME RATE.

WHILE THE CONSUMER PRICE INDEX TUMBLED FROM ALMOST 13 PERCENT TO 5 PERCENT LAST YEAR, PROGRESS AGAINST INFLATION STOPPED AT THE HOSPITAL DOOR.

LIKEWISE, HEALTH CARE COST INFLATION IS BANKRUPTING MEDICARE. FEDERAL OUTLAYS FOR MEDICARE JUMPED 21.5 PERCENT IN 1982.

FEDERAL, STATE AND LOCAL GOVERNMENTS -- WHO PAY OVER 40 PERCENT OF THE NATION'S HEALTH CARE BILL -- ARE RACKING UP RECORD BUDGET DEFICITS TO MEET THE SOARING COSTS OF MEDICARE AND MEDICAID.

MEDICARE INSOLVENCY

MOST EXPERTS PREDICT THAT MEDICARE SOON WILL FACE A FINANCIAL CRISIS FAR WORSE THAN THE ONE THAT THREATENED SOCIAL SECURITY.

IN FACT, MEDICARE IS FACING INSOLVENCY WITHIN THE NEXT DECADE. THE HEALTH CARE FINANCING ADMINISTRATION CURRENTLY PROJECTS THAT THE HOSPITAL INSURANCE TRUST FUND WILL BE COMPLETELY DEPLETED BY 1991.

THE ACCUMULATED DEFICIT WILL BE OVER $200 BILLION BY 1995.

WHAT IS THE REASON FOR THIS HUGE DEFICIT? ONE-FIFTH OF THE PROBLEM -- THAT IS, ONE-FIFTH OF THE REASONS WHY MEDICARE OUTLAYS ARE RISING -- IS BECAUSE PEOPLE ARE LIVING LONGER.

THE PROGRAM HAS TO COVER MORE PEOPLE FOR A LONGER PERIOD OF TIME. FOR THE FIRST TIME IN OUR HISTORY, THERE ARE AS MANY AMERICANS AGED 65 AND OVER AS THERE ARE TEENAGERS.

BUT FOUR-FIFTHS OF THE PROBLEM, THE LION'S SHARE, IS DUE TO RISING HEALTH CARE COSTS IN AMERICA.

THERE AREN'T ANY MAGIC SOLUTIONS TO THE PROBLEM OF MEDICARE'S APPROACHING INSOLVENCY. WE HAVE THREE OPTIONS:

1) RAISE TAXES TO PAY FOR IT
2) REQUIRE THE ELDERLY TO PAY MORE FOR HEALTH CARE
3) CONTROL COSTS.

CONGRESS HAS MADE DEEP CUTS IN MEDICARE DURING THE LAST FEW YEARS.

SOME OF THESE CUTS HAVE BEEN STEPS TOWARD CURBING HEALTH COSTS. IN 1982, CONGRESS PLACED A YEAR-TO-YEAR CAP ON THE HOSPITAL COST CEILINGS IMPOSED BY MEDICARE UNDER SECTION 223.

THE NEW PROSPECTIVE PAYMENT SYSTEM GOES MUCH FARTHER. WITH THE DRG SYSTEM, CONGRESS SAID THAT IT WANTS MEDICARE TO BE A PRUDENT BUYER OF THE HEALTH SERVICES IT PURCHASES FROM HOSPITALS. BUT EVEN MORE NEEDS TO BE DONE TO MAKE SURE THE DRG'S MEET THIS GOAL. WE NEED TO MAKE SURE THE DRG SYSTEM DOES NOT LEAD TO EXCESSIVE COST-SHIFTING.

IF SUCH COST-SHIFTING DOES OCCUR, YOU CAN BE SURE THERE WILL BE GREATER PRESSURE FOR ALL-PAYOR RATE REGULATION. THE QUESTION WILL BE: SHOULD STATES BE ENCOURAGED TO DEVELOP REGULATIONS SIMILAR TO THOSE USED BY THE FEDERAL GOVERNMENT.

THE DRG SYSTEM ENCOURAGES HIGHER HOSPITAL ADMISSIONS AND SOPHISTICATED TREATMENT. WE MUST ENSURE THAT IT DOES NOT LEAD TO OVER-UTILIZATION, UNNECESSARY ADMISSIONS AND "DRG CREEP."

THESE MEDICARE REFORMS ARE ENCOURAGING. BUT THEY ARE ONLY A START. WE HAVE NOT YET REALLY BEGUN TO COME TO GRIPS WITH THE FUTURE SOLVENCY OF MEDICARE OR HEALTH COSTS IN GENERAL.

THE MEDICARE SAVINGS IN THE PAST FEW YEARS HAVE MOSTLY BEEN ACHIEVED BY REQUIRING THE ELDERLY TO PAY MORE. IT IS UNFAIR TO PENALIZE THE ELDERLY FOR SPIRALING HEALTH CARE COSTS. INSTEAD, WE MUST COME TO GRIPS WITH THE PROBLEM AND GET THOSE COSTS UNDER CONTROL.

MEDICARE BENEFICIARIES ALREADY PAY A HEAVY PRICE FOR THEIR HEALTH CARE, AS MEDICARE COVERS ON AVERAGE ONLY 40 PERCENT OF THEIR MEDICAL COSTS.

OUT-OF-POCKET EXPENDITURES FOR HEALTH CARE TODAY AVERAGE OVER $1,500 FOR AMERICANS 65 AND OVER. THESE EXPENSES ARE SUBSTANTIALLY LARGER FOR THOSE OLDER AMERICANS WHO MUST ACTUALLY

USE HEALTH CARE SERVICES DURING THE YEAR.

IN 1983, THESE OUT-OF-POCKET HEALTH COSTS AVERAGED OVER 20 PERCENT OF THE MEDIAN PER CAPITA INCOME FOR PERSONS 65 AND OVER.

THOSE OUT-OF-POCKET COSTS HAVE BEEN INCREASING AT A RATE 2 TO 3 TIMES THAT OF OTHER PRICES. THIS TREND CONSTITUTES THE MOST SERIOUS AND DIRECT THREAT TO THE FUTURE ECONOMIC AND HEALTH SECURITY OF OLDER AMERICANS.

WE ARE GOING TO HAVE TO WORK TOGETHER TO SOLVE THE HEALTH CARE COST INFLATION PROBLEM.

WE MUST NOT BE GUIDED BY OUR NARROW SELF-INTEREST. WE MUST NOT BE GUIDED BY PARTISANSHIP OR SIMPLY SEEK TO BLAME OTHERS FOR THE PROBLEM. GOVERNMENT, DOCTORS, HOSPITALS, NURSES, INSURERS, AND CONSUMERS MUST WORK TOGETHER TO GET PRAGMATIC SOLUTIONS.

WE MUST FIND FAIR, THOUGHTFUL AND BALANCED WAYS TO STOP THE CATASTROPHIC RISE IN HEALTH CARE COSTS. WE MUST REMEMBER THAT OUR GOAL IS TO MAKE SURE EVERY MONTANAN -- AND EVERY AMERICAN -- HAS ACCESS TO AFFORDABLE HEALTH CARE.

I BELIEVE, AND I HOPE, THAT THE APPROACHING BANKRUPTCY OF THE MEDICARE TRUST FUND WILL FORCE US TO SIT DOWN AND CONFRONT

THE COST PROBLEM HEAD-ON.

LONG TERM CARE

OUR NATION'S HEALTH PROBLEMS ARE NOT LIMITED TO MEDICARE FINANCING, OF COURSE. THE COST OF TREATING A SHORT-TERM ILLNESS OR INJURY PALES IN COMPARISON TO THE COST OF LONG-TERM NURSING HOME CARE FOR OUR SENIOR CITIZENS.

IN 1982, AMERICANS SPENT $27.3 BILLION ON NURSING HOME CARE -- 12.9 PERCENT MORE THAN WE SPENT IN 1981. THE COST OF NURSING HOME CARE WENT UP AT THREE TIMES THE RATE OF THE CONSUMER PRICE INDEX.

EVEN FAMILIES WITH MEDICARE AND PRIVATE INSURANCE COVERAGE RISK FINANCIAL DISASTER WHEN CONFRONTED WITH THE COST OF INSTITUTIONAL CARE.

THE MEDICAID PROGRAM, UNFORTUNATELY, HAS BECOME THE SOURCE OF ABOUT 90 PERCENT OF ALL PUBLIC FUNDS SPENT ON LONG-TERM CARE; SO THOSE IN NEED OF CARE ARE REQUIRED TO EXHAUST THEIR FINANCIAL RESOURCES BEFORE THEY ARE ELIGIBLE FOR SIGNIFICANT PUBLIC SUPPORT.

CONGRESS IS WORKING TO ADDRESS THIS PROBLEM. LEGISLATION HAS BEEN INTRODUCED IN BOTH HOUSES THAT WOULD EXPAND CURRENT

SERVICES AND RESTRUCTURE METHODS OF SERVICE DELIVERY AND FINANCING, BUT NO CONSENSUS HAS BEEN REACHED ON THE BEST SOLUTIONS TO THESE COMPLEX PROBLEMS.

DEMOGRAPHIC PROJECTIONS MAKE IT CLEAR, HOWEVER, THAT WE ARE RUNNING OUT OF TIME: THE BUREAU OF THE CENSUS PROJECTS THAT BY THE YEAR 2000, THE GROUP MOST AT RISK OF INSTITUTIONALIZATION -- THE OVER-85 POPULATION -- WILL BE 130 PERCENT LARGER THAN IT IS TODAY.

OTHER PROJECTIONS INDICATE THAT THE NURSING HOME POPULATION OF PERSONS 65 YEARS AND OLDER CAN BE EXPECTED TO INCREASE BY 80 PECENT BETWEEN NOW AND THE YEAR 2000. IF THESE PROJECTIONS ARE CORRECT, AND IF THE COST OF SERVICES CONTINUES TO INCREASE AS IT HAS IN THE PAST, WE WILL SOON BE FACED WITH A REAL CRISIS IN LONG-TERM CARE.

IN RECENT YEARS, WE HAVE BEGUN TO MAKE PROGRESS IN ENCOURAGING THE DEVELOPMENT AND USE OF ALTERNATIVES TO EXPENSIVE INPATIENT CARE AND INSTITUTIONALIZATION, LIKE HOME HEALTH CARE. I HAVE WORKED TO ENSURE THAT STATES LIKE MONTANA, WITH LARGE RURAL POPULATIONS, CAN BENEFIT FROM THESE CHANGES AS WELL AS LARGE STATES WITH CONCENTRATED ELDERLY POPULATIONS.

CONCLUSION

THE CONTINUED SPIRALING OF HEALTH CARE COSTS AFFECTS ALL

AMERICANS, BOTH DIRECTLY AND INDIRECTLY THROUGH HIGHER PRICES, HIGHER TAXES AND HIGHER HEALTH INSURANCE PREMIUMS.

BUT AMERICA'S POPULATION IS AGING RAPIDLY, AND OLDER PEOPLE REQUIRE EXTENSIVE HEALTH SERVICES. IN 1981, THOSE OVER AGE 65 ACCOUNTED FOR 11 PERCENT OF AMERICA'S POPULATION AND 33 PERCENT OF TOTAL PERSONAL HEALTH CARE EXPENDITURES.

IN DOLLAR TERMS, AVERAGE PER CAPITA EXPENSES FOR 1981 WERE ESTIMATED AT $828 FOR THOSE UNDER AGE 65 AND $3,140 FOR THOSE OVER AGE 65.

OUR SENIOR CITIZENS NEED CONTINUED ACCESS TO QUALITY HEALTH CARE AT AFFORDABLE PRICES.

IN THE COMING DECADE, WE MUST WORK TOGETHER TO REACH A NATIONAL CONSENSUS ON HOW TO ACHIEVE THAT IMPORTANT GOAL.

THANK YOU.