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American Hospital Association

Max S. Baucus

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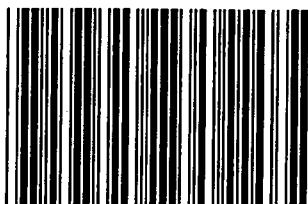
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BAUCUS

STATEMENT OF SENATOR MAX BAUCUS
AMERICAN HOSPITAL ASSOCIATION

TORONTO, CANADA

AUGUST 4, 1986

THANK YOU, GARY [GARY FLETCHER,
ADMINISTRATOR OF CENTRAL MONTANA HOSPITAL,
LEWISTOWN].

IN MAY, I VISITED GARY'S HOSPITAL IN
LEWISTON. HE GAVE ME A CRASH COURSE IN KEEPING A
SMALL RURAL HOSPITAL ALIVE ON THE MONTANA HIGH
LINE.

I CAN'T THINK OF A BETTER PERSON FOR YOU TO
HAVE ON YOUR BOARD. AND I APPRECIATE YOUR KIND
WORDS, GARY.

I'D ALSO LIKE TO THANK JACK OWEN FOR INVITING
ME TO SPEAK WITH YOU TODAY.

SHIRLEY ANN
~~JACK~~ I'M TOLD THAT THIS MAY BE THE LAST AHA
CONVENTION THAT'S 100% TAX DEDUCTIBLE. I SURE
HOPE THAT YOU'RE GOING TO MAKE IT A GOOD ONE!

THE LAST TIME I ADDRESSED THE RURAL HOSPITAL SECTION WAS ~~AT THE~~ 1983 HOUSTON ~~CONVENTION~~.
^

REMEMBER 1983? BACK THEN, WE WERE ALL SPECULATING ABOUT A SMALL TECHNICAL CHANGE THAT CONGRESS HAD JUST APPROVED--CALLED PROSPECTIVE PAYMENT.

WELL, MANY THINGS HAVE CHANGED SINCE 1983. BUT SOME THINGS HAVEN'T.

HHS IS STILL SHOPPING AROUND FOR SUPPORT FOR ITS CAPITAL COST PLAN. AND HHS IS STILL TRYING TO MAKE SWEEPING POLICY REFORMS BY ADMINISTRATIVE REGULATIONS.

IN THE END, CONGRESS STEPS IN AND THAT'S WHEN THINGS TEND TO GO INTO LOW GEAR.

THE STRUGGLE IN WASHINGTON

IF YOU'VE OBSERVED CONGRESS FOR ANY LENGTH OF TIME, YOU KNOW THAT WE WORK IN TWO-YEAR CYCLES.

FOR THE FIRST YEAR-AND-A-HALF, WE WORK VERY SLOWLY AND DELIBERATELY. WE MAKE LONG LISTS OF THE THINGS WE PLAN TO FINISH BEFORE WE ADJOURN.

INEVITABLY, WE FALL BEHIND, AND

~~SO~~, WE SPEND THE LAST FEW MONTHS OF EVERY CONGRESS WORKING FRANTICALLY TO GET ~~JUST ENOUGH~~ EVERYTHING DONE ~~IN TIME TO CAMPAIGN FOR REELECTION.~~

RIGHT NOW, WE'RE IN ONE OF THOSE FRANTIC STAGES.

IN THE NEXT TWO MONTHS, THE SENATE MUST RECONSIDER THE TAX BILL, A TRADE BILL, TWO SUPREME COURT NOMINATIONS, SOUTH AFRICA, AID FOR THE NICARAGUAN REBELS, THE CONSTITUTIONALITY OF THE GRAMM-RUDMAN BUDGET PROVISION, ~~AND~~ ANOTHER HUGE RECONCILIATION BILL, AND THE IMPROBABILITY OF JUDGE CLAIRBORNE ~~AND~~ LOOMS THE SPECTER OF GRIM THE FEDERAL BUDGET DEFICIT ~~STATION REMAINS GRIM.~~

~~UNCLE SAM IS STILL OPERATING IN THE RED.~~

THIS YEAR'S BUDGET DEFICIT WILL BE ANOTHER \$200 BILLION. AND WE'RE FINALLY STARTING TO PAY THE PRICE, AS THE BUDGET DEFICIT AND THE TRADE DEFICIT BEGIN TO DRAG THE ECONOMY.

WE CAN ARGUE ABOUT WHETHER THE FEDERAL BUDGET DEFICIT IS CAUSED BY HIGH SPENDING OR LOW TAXES. I TEND TO THINK IT'S CAUSED BY A GOOD MEASURE OF EACH.

BUT WHATEVER THE CAUSE, IT'S CLEAR THAT THE SOLUTION WILL REQUIRE FURTHER REDUCTIONS IN FEDERAL SPENDING. AND, YES, THAT MEANS FURTHER CURBS ON FEDERAL HEALTH SPENDING.

AS A RESULT, FOR THE FORESEEABLE FUTURE, BUDGET POLICY WILL CONTINUE TO DRIVE HEALTH POLICY.

AND REMEMBER.

HEALTH PROGRAMS ARE ONE OF THE THREE "BIG TICKET" SPENDING ITEMS IN THE FEDERAL BUDGET, COMING RIGHT AFTER DEFENSE AND SOCIAL SECURITY.

LAST YEAR, TOTAL U.S. HEALTH EXPENDITURES INCREASED BY 9%, TO \$425 BILLION. THAT CONSUMES NEARLY 11% OF OUR GROSS NATIONAL PRODUCT.

MEDICARE SPENDING ALONE INCREASED BY 12%, THE FASTEST GROWING COMPONENT OF THE FEDERAL HEALTH DOLLAR WHICH PEAKED AT \$124 BILLION LAST YEAR.

FOR NOW, THIS MEANS MORE TINKERING. CONGRESS WILL CONTINUE MAKING PRAGMATIC ADJUSTMENTS HERE AND THERE TO SAVE A BUCK.

BUT TINKERING WILL ONLY GET US SO FAR. AT SOME POINT, THE LAW OF DIMINISHING RETURNS WILL TAKE OVER. WE'LL HAVE TO ROLL UP OUR SLEEVES AND START DEBATING FUNDAMENTAL HEALTH POLICY ^{CHANGES IN} ~~REPORTS~~

RURAL HEALTH POLICY

I WISH THAT I HAD A CRYSTAL BALL TO TELL YOU ~~WHERE THE HEALTH POLICY DEBATE WILL TAKE US BY THE YEAR 2000.~~

WHAT THOSE CHANGES WILL BE.

BUT LET ME TELL YOU ABOUT ONE ISSUE THAT IS CERTAINLY
HERE TO STAY: QUALITY HEALTH CARE FOR RURAL
AMERICANS.

POLICY MAKERS IN WASHINGTON SEEM TO BELIEVE
THAT "BIGGER IS BETTER." OR, AT LEAST, THAT
BIGGER IS MORE IMPORTANT.

ABOUT THIS, IT'S
THERE'S NOTHING SINISTER ~~GOING ON~~ HERE. JUST
HUMAN NATURE.

WORK FOR THE GOVT
WHEN SOMEONE COMES TO WASHINGTON, ~~THEY~~
HE USUALLY WANTS TO WORK ON THE GLAMOROUS ~~POLICY~~
ISSUES. GRAND SCHEMES. BILLIONS OF DOLLARS AND
MILLIONS OF PEOPLE.

AS A RESULT, THE PROBLEMS OF SMALL COM-
MUNITIES OFTEN GET OVERLOOKED. EVEN WORSE,
FEDERAL RULES AND POLICIES BEGIN TO REFLECT A
DISTINCT URBAN BIAS.

THIS DISCRIMINATION ^{IS} ~~HAS BEEN~~ PAINFULLY AP-
PARENT IN THE FORMULATION OF HEALTH CARE PAYMENT
POLICIES.

THE PROBLEMS OF A 30-BED HOSPITAL JUST AREN'T
~~THEY~~ GLAMOROUS. THEY'RE DOWNRIGHT THORNY. SO,
THEY TEND TO BE IGNORED.

I LEARNED THIS SHORTLY AFTER I ARRIVED IN
WASHINGTON AS A FRESHMAN CONGRESSMAN.

YOU MAY REMEMBER THE NATIONAL HEALTH PLANNING
GUIDELINES THAT HEW ISSUED IN THE 1970'S.

THESE GUIDELINES WERE TAILOR MADE FOR LARGE,
METROPOLITAN HOSPITALS. IF THEY HAD BEEN APPLIED
TO SMALL HOSPITALS, MANY WOULD HAVE BEEN FORCED TO
CLOSE THEIR DOORS.

JOE CALIFANO WAS THE HEW SECRETARY THEN. I
KNOW JOE PRETTY WELL. HE'S A GREAT GUY, AND DID A
GOOD JOB AS SECRETARY.

BUT NEITHER HE NOR THE PEOPLE WORKING FOR HIM
HAD GIVEN THE CONCERNS OF SMALL HOSPITALS MUCH
THOUGHT.

WE HAD TO GET HIS ATTENTION. SO I FILLED ¹ ~~A~~
~~SMALL DELIVERY TRUCK~~ WITH LETTERS I'D RECEIVED FROM

5 MAIL BAGS

THEY THREW THEM IN THE BACK OF A PICKUP TRUCK
ANGRY MONTANANS, DROVE OVER TO HEW, AND DUMPED THE
LETTERS ON JOE CALIFANO'S DESK.

THIS MAY NOT BE THE TYPICAL PROCEDURE FOR
COMMENTING ON REGULATIONS. BUT IT WORKED, AND THE
REGULATIONS WERE MODIFIED.

THAT WAS ONE SMALL VICTORY.

BUT THE OVERALL PROBLEM PERSISTS.

~~ECONOMIC EFFICIENCY AND RURAL HEALTH~~

TODAY IT HAS A UNIQUE TWIST.

THE CURRENT ADMINISTRATION WORSHIPS WHAT THEY
CALL THE "EFFICIENCY THEORY." THE IDEA IS THAT
COMPETITION AMONG HEALTH PROVIDERS WILL KEEP COSTS
DOWN.

~~IT'S A FINE THEORY. AND I'M SURE THAT YOU
RECOGNIZE IT IN THE DESCRIPTIONS OF THE PROSPEC-
TIVE PAYMENT SYSTEM.~~

BUT THE THEORY ONLY WORKS IF PATIENTS HAVE
REASONABLE OPTIONS.

IF AN INEFFICIENT HOSPITAL SHUTS DOWN, THE THEORY GOES, PATIENTS CAN TRVEL TO A MORE EFFICIENT HOSPITAL 5 MILES ACROSS TOWN.

BUT WHAT IF THE NEAREST HOSPITAL IS 50 MILES ACROSS THE STATE / AND IT'S WINTER? !

THE ECONOMIC EFFICIENCY THEORY SIMPLY DOESN'T *WORK*
~~EFFICIENCY~~ IN MANY TOWNS ACROSS AMERICA.

DON'T GET ME WRONG. I THINK EFFICIENCY IS A FINE GOAL. BUT, IT'S NOT THE ONLY GOAL. IN HEALTH CARE, OTHER GOALS ARE JUST AS IMPORTANT, SUCH AS ACCESS TO CARE AND THE QUALITY OF CARE.

THE MEANING OF RURAL

THINK I'M JUST

NOW, BEFORE YOU ~~ACCUSE ME OF~~ "PREACHING TO THE CHOIR," I WANT YOU TO KNOW THAT I HAVE MADE THESE SAME POINTS TO DR. OTIS BOWEN, THE NEW SECRETARY OF HHS.

I ALSO MADE THEM TO HIS UNDERSECRETARY, DON NEWMAN. AND, JUST FOR GOOD MEASURE, I MADE THEM TO THE NEW HCFA ADMINISTRATOR, BILL ROPER.

ALL THREE CAME BY MY OFFICE BEFORE THEIR CONFIRMATION HEARINGS IN THE SENATE FINANCE COMMITTEE.

HERE'S WHAT HAPPENED. I'D START TALKING ABOUT SMALL TOWNS IN RURAL MONTANA LIKE CUT BANK AND POPLAR.

"DOC" BOWEN AND DON NEWMAN WOULD COUNTER WITH THE NAMES OF A FEW TOWNS IN RURAL INDIANA WHERE THEY USED TO LIVE. THEN, BILL ROPER WOULD TELL ME ABOUT RURAL ALABAMA.

WELL, IT OCCURRED TO ME THAT I WAS UP AGAINST A DIFFERENCE OF PERSPECTIVE. THEIR EXPERIENCE WAS IN THE RURAL EAST, NOT THE ROCKY MOUNTAIN WEST.

AGAIN, I FELT I NEEDED TO GET THE ATTENTION OF THE TOP LEADERSHIP OF HHS. SO, WHEN DON NEWMAN CAME BEFORE THE FINANCE COMMITTEE, I WAS READY WITH A LITTLE LESSON IN ARITHMETIC.

I POINTED OUT THAT INDIANA HAS 36,000 SQUARE MILES AND 10 CONGRESSIONAL DISTRICTS. THAT'S AN AVERAGE OF ONE CONGRESSIONAL DISTRICT FOR EACH ~~3,600~~ ³³⁰⁰ SQUARE MILES.

THEN I ASKED HIM TO TAKE A LOOK AT MONTANA, WHICH HAS ABOUT 150,000 SQUARE MILES AND TWO CONGRESSIONAL DISTRICTS.

THAT'S AN AVERAGE OF ONE CONGRESSIONAL DISTRICT FOR EVERY 75,000 MILES.

SO, WHEN YOU THINK ABOUT A RURAL HOSPITAL IN MONTANA YOU'RE TALKING ABOUT AN AREA THAT IS ~~25~~ ²⁵ TIMES LESS DENSLEY POPULATED THAN RURAL INDIANA.

THAT'S WHAT RURAL MEANS IN THE FAR WEST. VAST OPEN DISTANCES. SMALL TOWNS CONNECTED TO EACH OTHER BY MILES AND MILES OF ~~STATE~~ ^{state & federal} HIGHWAYS. HUGE SPACE.

AND WHAT SETS SOME OF THESE TOWNS APART FROM THE PLACE DOWN THE ROAD, IS A SMALL COMMUNITY HOSPITAL.

THESE SMALL HOSPITALS ARE THE BACKBONE OF RURAL HEALTH CARE. AND FOR MANY SMALL TOWNS, THE HOSPITAL IS MUCH MORE THAN THAT.

THEY ARE THE PLACES WHERE PEOPLE WERE BORN.

AND THEY ARE THE PLACES WHERE MANY EXPECT TO RETURN WHEN THE END OF LIFE IS NEAR.

HOSPITALS ARE OFTEN THE LARGEST EMPLOYER IN TOWN. THEY PROVIDE SOME OF THE BEST PAYING, MOST CHALLENGING JOBS.

THEY MAKE THE TOWN A BETTER PLACE TO LIVE. A BETTER PLACE FOR KIDS TO GROW UP. A BETTER PLACE FOR NEW FIRMS TO LOCATE.

EVEN WITH THE RURAL ECONOMY FACING A CRISIS, SMALL HOSPITALS ARE BACKED BY TREMENDOUS COMMUNITY PRIDE AND SUPPORT.

AND NOBODY IS QUITE SURE WHAT THE TOWN WOULD BE LIKE IF THE LOCAL HOSPITAL IS FORCED TO CLOSE ITS DOORS.

THAT'S THE MESSAGE I THINK EVERY NEW HHS APPOINTEE NEEDS TO HEAR.

AND THAT'S THE POINT THAT HAS TO BE MADE ON EVERY PROPOSED HEALTH REGULATION, EVERY NEW BUDGET PROPOSAL, AND EVERY NEW CHANGE IN THE MEDICARE STATUTE.

~~IN THE MEANTIME,~~

~~IF THAT DOESN'T WORK, WE HAVE TO TRY SOMETHING ELSE. WE HAVE TO LET THEM KNOW THAT YOU MEAN BUSINESS.~~

ALSO
IN THE MEANTIME I THINK IT IS IMPORTANT
IN MY CASE, I DECIDED TO WRITE A RURAL HEALTH BILL. JUST TO BE SURE THE POINT IS MADE.

RURAL HEALTH LEGISLATION

EARLY THIS YEAR,

I DECIDED THAT THE TIME HAD COME FOR SOME NUTS AND BOLTS AMENDMENTS TO THE MEDICARE STATUTE TO HELP MAKE SURE FEDERAL HEALTH CARE POLICY FITS THE UNIQUE NEEDS OF SMALL RURAL HOSPITALS.

THE RESULT WAS THE RURAL HEALTH CARE IMPROVEMENT ACT OF 1986, WHICH I INTRODUCED IN MAY. SENATOR CHUCK GRASSLEY OF IOWA WAS THE LEAD

COSPONSOR, AND CONGRESSMAN JIM JONES OF OKLAHOMA INTRODUCED THE SAME BILL IN THE HOUSE.

WE WANTED TO ACCOMPLISH TWO OBJECTIVES.

FIRST, WE WANTED TO HIT HHS OVER THE HEAD WITH A TWO-BY-FOUR, AND LET THEM KNOW THAT RURAL CONCERNS MUST BE RECKONED WITH.

SECOND, WE WANTED TO MAKE IMMEDIATE CHANGES IN MEDICARE'S PROSPECTIVE PAYMENT SYSTEM TO CORRECT EXISTING BIASES AGAINST SMALL RURAL HOSPITALS.

AFTER THE BILL WAS INTRODUCED, THE SENATE FINANCE COMMITTEE HELD A HEARING ON THE ^{GENERAL} SUBJECT OF RURAL HEALTH CARE. GORDON RUSSELL TESTIFIED ON BEHALF OF THE [AHA RURAL HOSPITAL] SECTION, AND WE GOT OUR MESSAGE ACROSS LOUD AND CLEAR.

I AM PLEASED TO TELL YOU THAT TWO WEEKS AGO, THE FINANCE COMMITTEE TOOK ACTION THAT WILL ACCOMPLISH ALL THREE OF OUR BILL'S KEY PAYMENT PROVISIONS.

ONE KEY PROVISION OF THE BILL ESTABLISHES SEPARATE, LOWER STANDARDS FOR OUTLIER PAYMENTS FOR SMALL RURAL HOSPITALS AND SOLE COMMUNITY HOSPITALS.

ANOTHER PROVISION MAINTAINS THE CURRENT CAPITAL COST PAYMENT POLICY FOR SOLE COMMUNITY HOSPITALS.

AND A THIRD PROVISION REQUIRES THAT MEDICARE "CLEAN" CLAIMS BE PAID WITHIN NO MORE THAN 24 DAYS.

ONCE WE GOT THE BALL ROLLING, SEVERAL OTHER SENATORS PROPOSED ADDITIONAL RURAL HEALTH AMENDMENTS, AND SEVERAL WERE APPROVED.

WE ADOPTED A PROVISION PROTECTING RURAL REFERRAL CENTERS FROM SUDDEN REGULATORY CHANGES. WE ALSO ADOPTED A PROPAC PROPOSAL TO RECALCULATE PPS RATES ACCORDING TO THE AVERAGE COSTS PER DISCHARGE. THIS WOULD RAISE RURAL PAYMENT AMOUNTS BY AN AVERAGE OF OVER 3 PERCENT.

ALL OF THESE PROPOSALS MOVE IN THE RIGHT DIRECTION. IF THEY MAKE IT INTO THE FINAL BUDGET BILL, THEY'LL HELP RESTORE MORE BALANCE AND FAIRNESS FOR HEALTH CARE IN RURAL AMERICA.

CONCLUSION

PLATO SAID THAT "A GOOD START IS HALF THE JOB." WE'VE MADE A GOOD START.

BUT ONLY A START.

WE HAVE MANY OTHER IMPORTANT ISSUES TO ADDRESS.

WE NEED TO ATTRACT DOCTORS AND OTHER HEALTH PROFESSIONALS TO RURAL COMMUNITIES, AND KEEP THEM THERE.

WE NEED TO REDUCE THE WIDE GAP IN PPS PAYMENTS BETWEEN URBAN AND RURAL HOSPITALS.

AND WE NEED TO HELP RURAL HOSPITALS FIND INNOVATIVE WAYS TO SERVE THEIR COMMUNITIES AT THE LOWEST POSSIBLE COST.

AND, SO, MY MESSAGE TO YOU IS TO KEEP UP THE FIGHT. MAKE YOUR VOICES HEARD WITHIN THE AMERICAN HOSPITAL ASSOCIATION, IN YOUR STATE LEGISLATURES, AND WITH YOUR DELEGATION IN CONGRESS.

BUT, DON'T JUST TELL US THE PROBLEMS. GIVE US SOME SOLUTIONS TO WORK WITH. AND GIVE US HONEST AND RELIABLE INFORMATION ON WHICH TO BASE OUR DECISIONS.

AMERICA'S RURAL CITIZENS DESERVE EQUAL ACCESS TO OUTSTANDING HEALTH CARE. THEY'RE COUNTING ON ALL OF US TO COME UP WITH THE ANSWERS.

THE STAKES ARE HIGH -- BUT WITH YOUR CONTINUED HELP, WE CAN MAKE SURE THAT THE HEALTH CARE NEEDS OF MILLIONS OF RURAL AMERICANS ARE NOT FORGOTTEN.