Montana Chapter of the American Physical Therapy Association

Max S. Baucus

Let us know how access to this document benefits you.
Follow this and additional works at: https://scholarworks.umt.edu/baucus_speeches

Recommended Citation
https://scholarworks.umt.edu/baucus_speeches/423

This Speech is brought to you for free and open access by the Archives and Special Collections at ScholarWorks at University of Montana. It has been accepted for inclusion in Max S. Baucus Speeches by an authorized administrator of ScholarWorks at University of Montana. For more information, please contact scholarworks@mso.umt.edu.
Printing, Graphics & Direct Mail
Document Archiving
Indexing Form

Senator * or Department*: BAUCUS

Instructions:
Prepare one form for insertion at the beginning of each record series.
Prepare and insert additional forms at points that you want to index.
For example: at the beginning of a new folder, briefing book, topic, project, or date sequence.

Record Type*: Speeches

MONTH/YEAR of Records*: May-1988
(Example: JANUARY-2003)

(1) Subject*: Health
(select subject from controlled vocabulary, if your office has one)

(2) Subject* American Physical Therapist Association

DOCUMENT DATE*: 05/06/1988
(Example: 01/12/1966)

* "required information"
REMARKS BY
SENATOR MAX BAUCUS
TO THE
MONTANA CHAPTER
OF THE
AMERICAN PHYSICAL THERAPY ASSOCIATION
MAY 6, 1988

THANK YOU FOR INVITING ME TO YOUR SPRING MEETING HERE IN MISSOULA.

YOU KNOW, WHEN GAIL (WHEATLEY) FIRST SUGGESTED THAT I TALK TODAY, SHE MENTIONED THAT THE MISSOULA BANK RUN WOULD BE THE NEXT MORNING.

LET ME TELL YOU, I ONLY WISH I WAS MEETING WITH YOU TOMORROW AFTERNOON, BECAUSE THAT'S WHEN I'M GOING TO NEED TO SEE A PHYSICAL THERAPIST!

GROWTH IN HEALTH SPENDING

TODAY, I WANT TO TALK ABOUT WHERE I SEE US HEADING AS A NATION ON HEALTH CARE SPENDING.
But first, I think a bit of history might be helpful.

I came to Congress in 1974 as a freshman member of the House of Representatives.

Remember the early 1970's? Back then, total health spending in the U.S. economy by everybody—government, private individuals, and employers—was about $100 billion a year.

Well, in 1989 we will spend $100 billion just on Medicare alone!

That's right. We will spend as much next year on just one federal health program as we spent in total in the early 1970s on all health care.

I remember the health care debates in Congress back in the 1970s. That's when health spending was galloping along with double-digit inflation.
AND WE WERE BOUND AND DETERMINED TO KEEP HEALTH SPENDING BELOW 8 PERCENT OF THE GROSS NATIONAL PRODUCT. PEOPLE USED TO SWEAR THAT 8 PERCENT WAS THE ABSOLUTE LIMIT THAT THE AMERICAN PEOPLE WOULD TOLERATE.

THERE WERE EVEN PEOPLE TALKING ABOUT HOW RUINOUS IT WOULD BE TO OUR ECONOMY IF HEALTH SPENDING WAS AS HIGH AS 9 PERCENT OF GNP. THEY FEARED HEALTH CARE WOULD SOON CROWD OUT NEEDED SPENDING IN OTHER AREAS.

WELL, 1974 WAS ONLY 14 YEARS AGO. BUT SOMEHOW THOSE DEBATES SEEM LIKE ANCIENT HISTORY NOW.

TODAY, WE ARE Dedicating almost 12 PERCENT OF OUR GNP, $500 BILLION A YEAR, TO HEALTH CARE. THAT’S MORE THAN WE SPEND ON OUR NATIONAL DEFENSE AND THE DEFENSE OF OUR ALLIES COMBINED. IN FACT, IT’S MORE THAN THE TOTAL OF GOVERNMENT SPENDING OF ANY OTHER INDUSTRIALIZED NATION ON EARTH.

AND THE EXPERTS TELL US THAT BY THE YEAR 2000, JUST 12 YEARS FROM NOW, WE WILL TRIPLE OUR
NATIONAL HEALTH SPENDING TO $1.5 TRILLION a year.
By then, the health dollar will represent 15 percent of the United States GNP.

And here's the most startling fact of all.
That's a conservative figure.

It assumes no new major health programs are started up to take care of problems like catastrophic illness or long term care. And it assumes no return to the days of double-digit inflation.

I start with these comments about health spending for two reasons. First, it's a good backdrop on where we have been.

Second, it's sobering to reflect on just how wrong we were in the 1970s about where we were heading and the magnitude of the problems that we would soon face.

It also points out one other thing. It is almost impossible to separate the issue of health policy from the concern about health spending.
THE FEDERAL DEFICIT

LIKE IT OR NOT -- AND MOST OF US DON'T LIKE IT -- WE ARE NOW IN AN ERA COMPLETELY DOMINATED BY THE CONCERN ABOUT SPENDING AND SOARING DEFICITS.

AND FOR GOOD REASON, TOO.

THE FEDERAL DEFICIT IS THE SINGLE GREATEST THREAT FACING US AS A NATION. THE SINGLE GREATEST THREAT.

IN 1986, THE DEFICIT PEAKED AT OVER $200 BILLION IN ONE YEAR. AND IT'S NO SECRET WHY THAT HAPPENED.

IN THE EARLY 1980s, WE DRAMATICALLY CUT BACK ON FEDERAL REVENUES BY APPROVING THE LARGEST TAX CUT IN HISTORY.

THEN WE ADDED OVER ONE TRILLION IN SPENDING FOR MILITARY HARDWARE AT EVER-INCREASING ANNUAL LEVELS THAT SIMPLY PROVED IMPOSSIBLE TO MAINTAIN.
So, while our competition in the international marketplace -- Japan, Germany and other nations -- were investing in education, research, job training, and the health of their citizens, we were watching the interest expense on our debt double.

In fact, right now the fastest growing item in the federal budget is not health care or defense or Social Security. It's paying the interest expense on our $2 trillion credit card.

The real tragedy is that much of the deficit could have been avoided. The tax cuts and the defense build up could have been more realistic. And we could have responded sooner to the competition in international trade with prudent investments of our own.

But we did not pursue that course. And now we are paying the price.

Reductions in Federal Health Spending
Last December, Congress sent the President two massive bills to sign. You may remember them if you watched the President's State of the Union address that night. They were the huge stacks of paper that the President lifted up for the TV cameras.

One of those bills, the so-called budget reconciliation act, contained over 200 pages of single spaced legislative language just to describe the changes in health care programs.

That's 200 pages just to say how to change the law. And that's only the tip of the iceberg.

It will probably take months, if not years, to translate the legislative language to regulation language and then, with luck, to English.

But, why is health care such a budget target year after year?
I think there are a number of reasons why federal health spending is in the cross-hairs of the budget rifle.

First, while the delivery of health care is overwhelmingly private, the financing of health care is increasingly governmental.

Over 40 percent of the U.S. health dollar comes from federal, state or local sources. Programs like Medicare and Medicaid are only the most obvious. There are literally dozens, probably hundreds, more.

What this means in simple arithmetic is that we can't afford to ignore health spending even if we wanted to.

Let me put it another way. If we somehow exempted federal health spending from further budget reductions and, at the same time, said that Social Security and defense are off-limits, we would be left with only about 20 percent of the federal budget from which to find cuts.
Second, when it comes to health care, the American people want it both ways.

All of us are mesmerized by the latest miracle technologies and the wonder drugs. And then we are outraged when we are sent the bill for them in the form of higher insurance premiums or the charge for three days in the hospital.

And don't think for a moment that Congress isn't torn between these two extremes.

How else can you explain how the same bill that cuts federal health spending by over $5 billion also includes provisions to:

--- expand health care for young mothers and their families,

--- increase the availability of home health care for the elderly, and

--- establish tough new quality standards for nursing homes.
Finally, there’s the difficult question of what really happens when health spending is cut?

When cuts are made in defense, we know almost precisely how many new ships or missiles won’t be built. At NASA, we know how many shuttle flights will be delayed or scratched altogether.

But, when we cut health care spending, we are told that we may adversely affect “quality”, but nobody really knows by how much. The truth is that we just don’t know at what point we are paying for fewer unnecessary hospitalizations and marginally valuable tests, and when cost-cutting starts hitting the bone.

Future Trends

What does all this mean for the future? What does it mean even for the next six or eight months of the 100th Congress?

For the immediate future, I would not expect much action on the health care agenda other than
completion of the Catastrophic Health Insurance bill.

This is an election year, as we are reminded everyday on the evening news. Historically, election years produce legislative stalemates, not dramatic developments.

This is also a year when the White House is likely to concentrate on foreign policy concerns, not domestic budget issues. The President has one last chance to get an arms control agreement in place, lobby Congress for more Contra assistance, and maybe even score a diplomatic breakthrough in the Middle East.

So, I think that we are headed for a period when election politics and foreign policy will be on center stage.

And, that's not necessarily bad news for health care programs. In fact, when I met recently with the Montana hospital administrators, their message to me was they would welcome a year without a major health bill.
They told us that it's going to take at least a year just to digest the crush of reimbursement changes made in federal health programs in the past few years.

For the longer future, we all have some sorting out to do.

If we have learned one thing from our cost-control efforts so far, it is that our tools are basically crude and ineffective.

We created the Prospective Payment System in 1983 with much fanfare about finally getting a grip on mushrooming hospital costs.

But what we have discovered is that when we squeeze the health cost balloon in one place, it bulges in another.

Health costs that once appeared in the hospital side of the Medicare program are now showing up elsewhere in the system. So, the controls on hospital spending have caused dramatic
NEW SPENDING FOR HOME HEALTH, OUTPATIENT SURGERY AND PHYSICIAN OFFICE VISITS.

You’ve seen the same thing happen in physical therapy. When Medicare put a $500 cap on physical therapy provided by an independent practitioners, patients don’t suddenly stop needing therapy. They just go elsewhere where the cap doesn’t apply.

Now we are looking at setting up fee schedules for the thousands of services provided by physicians.

Will these fee schedules give us more for our health dollar? Will they be accepted by the medical professionals as sensible and equitable?

Again, we just don’t know.

But one thing is clear. If we are going to preserve the precious national resource of the world’s best health care system, it’s going to take an extraordinary commitment from all of us.
It would be easy to assume that spending more money is the answer. And, to be sure, adequate funding for health care must remain one of our highest national priorities.

But we have limits as a society on how much more we can pay and how many more services we can demand.

I do not believe that we have reached those limits yet. But we are awfully close.

We have learned an important lesson from the catastrophic health insurance bill. The lesson is that we can make expansions in health services if three conditions are met:

1. Those who will directly benefit from expanded health services must be prepared to shoulder a fair share of the costs.

2. Major changes must be phased-in gradually, not made all at once.
3. **Reimbursement decisions must be confronted up-front, not down the road when cost have begun to mushroom.**

I hope that we can apply these lessons to solve other health care problems facing our nation such as providing long-term care for the frail elderly or finding ways to cover the 35 million Americans who still lack any health care coverage.

**CONCLUSION**

Let me conclude by saying that I hope you will continue to consider me an ally in your efforts to improve health care for Montanans.

I really believe that Americans want, and are willing to pay for, a health care system that they can be proud of and that delivers first-class care.

But, I also think that we have to be willing to shake-up the conventional wisdom about the way health care should be delivered, about who should deliver it and about how we should pay for it.
I think that these are exciting times to be in the health care field. And they are challenging times, too.

There will be dramatic changes in the years ahead in the American health care system. It's inevitable. And we are living with some of them already.

But, my message to you is that the winners in these changing times will be those who see change as an opportunity and who get involved in making it happen their way.

The losers will be those who resist it and staunchly defend the status quo.

I appreciate this opportunity to speak with you today. Now I'd like to take any questions that you might have.

So, give it your best shot.