11-18-1988

Governor's Conference on Health Care

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BAUCUS
REMARKS BY
SENATOR MAX BAUCUS
TO THE
GOVERNOR'S CONFERENCE ON HEALTH CARE

NOVEMBER 18, 1988
POCATELLO, IDAHO

THANK YOU FOR INVITING ME TO SPEAK TONIGHT.

LIKE MOST AMERICANS, MY INTEREST IN HEALTH CARE BEGAN WITH A PERSONAL EXPERIENCE ABOUT 10 YRS AGO WHEN I FIRST RAN FOR CONGRESS, I ACTUALLY WALKED.

I WALKED ACROSS MONTANA -- OVER 600 MILES.

FROM YELLOWSTONE PARK TO YAAK, MONTANA -- A LOGGING COMMUNITY NEAR THE CANADIAN BORDER -- I MET WITH FOLKS AND LEARNED ABOUT THE CONCERNS OF RURAL MONTANA.
On the first day I got caught in a blizzard. That night I nearly froze in a camper. The next morning I woke with terrible shinsplints. And in most cases, the closest thing to a health clinic was Chico Hot Springs, or the local saloon in Yaak called "The Dirty Shame."

I finally got my shinsplints treated -- by an athletic trainer in Bozeman. And I learned something important.

I learned first-hand of the challenges all of you face every day. I learned that providing health care in the great expanses of rural America is no easy task.

That was 1974! Watergate was all over the front page. Ronald Reagan was a retired governor from California. George Bush was the U.S. liaison officer in China.

Health care costs

Total health care spending back then by everybody -- government, private individuals and employers -- was about $100 billion.
Things looked back then, too—pretty good a.' The sky was the limit. We had the money to spend on new needs. The market was growing.

Health was not, and so were health care costs. So hot they climbed at an annual clip of roughly 12%.
HEALTH CARE SPENDING IS NEARLY 12 PERCENT OF GNP -- ABOUT $500 BILLION A YEAR.

THAT'S MORE THAN THE TOTAL OF GOVERNMENT SPENDING ON ALL GOODS AND SERVICES OF ANY OTHER INDUSTRIALIZED NATION ON EARTH!

WHO WOULD EVER THINK THAT WE WOULD SPEND MORE ON HEALTH THAN ON DEFENSE. BUT WE DO. WE DO BECAUSE OF TECHNOLOGY, INFLATION, INSURANCE, AND CONSUMER DEMAND FOR THE BEST POSSIBLE SERVICES, REGARDLESS OF COST.

THAT TREND IS EXPECTED TO CONTINUE. EXPERTS FORESEE HEALTH SPENDING TO TRIPLE BY THE YEAR 2000 -- TO $1.5 TRILLION A YEAR!

AND THAT'S ASSUMING THE TRAIL WE WALK IS SMOOTH AND STRAIGHT, NOT CURVED AND ROCKY, AND NO SHINSPLINTS.
IT ASSUMES NO NEW MAJOR HEALTH PROGRAMS FOR THE UNINSURED OR FOR LONG TERM CARE, AND NO RETURN TO DOUBLE-DIGIT INFLATION IN HEALTH CARE COSTS.

AND IT ASSUMES THE BABY BOOM GENERATION WON'T PUT NEW DEMANDS ON THE HEALTH CARE SYSTEM IN THE YEARS AHEAD.

BUT BEFORE WE LOOK TO THE FUTURE FOR RURAL HEALTH CARE, IT'S IMPORTANT TO HAVE A BETTER UNDERSTANDING OF WHAT HAPPENED IN THE RECENT PAST.

IN THE 70'S THINGS SEEMED PRETTY GOOD -- THE SKY WAS THE LIMIT FOR GOVERNMENT BUDGETS FOR HEALTH. THE MARKET WAS GROWING. HEALTH WAS HOT.

AND SO WERE HEALTH CARE COSTS. SO HOT, THEY CLIMBED AT AN ANNUAL CLIP OF ROUGHLY 12 PERCENT.

BUT IN THE 1980'S THE WORLD CHANGED. WE ENTERED A NEW ERA OF FISCAL AUSTERITY.

Consequently, a massive federal deficits forced the government to take a budget-driven approach to public policy--particularly to federal health care costs.
THAT'S ONLY HEALTH CARE SPENDING. SINCE 1981 WE'VE ALSO DRAMATICALLY CUT REVENUE AND INCREASED DEFENSE SPENDING SO MUCH SO THAT OUR NATIONAL DEBT HAS NEARLY TRIPLED TO ABOUT $2.5 TRILLION.

Consequently, massive federal deficits are forcing government to put budget ahead of policy. Health care is certainly caught in that vice.
AND WHAT WAS ONE OF THE RESULTS? THE MEDICARE PROSPECTIVE PAYMENT SYSTEM.

WITHOUT A DOUBT, THIS IS THE MOST VISIBLE EXAMPLE OF OUR BUDGET-DRIVEN APPROACH TO HEALTH CARE.

IT IS A CLEAR EXAMPLE OF HOW THE GOVERNMENT CHOSE TO WORSHIP AT THE ALTAR OF EFFICIENCY, RATHER THAN FOCUS ON WAYS TO PROVIDE BETTER SERVICE AND BETTER VALUE.

IN 1983, THE PROSPECTIVE PAYMENT SYSTEM WAS TAILOR-MADE FOR AN ADMINISTRATION THAT HAD COME TO WASHINGTON PUSHING ORTHODOX FREE-MARKET THEORY.
DON'T GET ME WRONG. THERE IS NOTHING WRONG WITH EFFICIENCY IN GOVERNMENT PROGRAMS. IN FACT, WE COULD STAND A WHOLE LOT MORE.

BUT EFFICIENCY SHOULDN'T BE HELD OUT AS THE SOLE STANDARD, THE GOAL ABOVE ALL OTHERS. EFFICIENCY MAY BE FINE IF YOU'RE TRYING TO SELL POTATOES, BUT YOU AND I KNOW THAT HEALTH CARE IS MORE THAN JUST A COMMODITY -- IT'S PEOPLE.

SOON AFTER P.P.S. WAS IN PLACE, IT BECAME EVIDENT THAT CITY FOLKS WERE GETTING A BETTER DEAL THAN PEOPLE IN THE COUNTRY. A MUCH BETTER DEAL.

-- MEDICARE PROFITS FOR URBAN HOSPITALS WERE, ON AVERAGE, ABOUT TWICE AS HIGH AS THOSE FOR RURAL HOSPITALS.

-- ONE OUT OF EVERY TEN RURAL HOSPITALS WAS ACTUALLY LOSING MONEY SERVING MEDICARE PATIENTS.
AND, FOR RURAL HOSPITALS WITH FEWER THAN 50 BEDS, MEDICARE LOSSES WERE RUNNING AS MUCH AS TWENTY PERCENT.


-- URBAN PROFIT MARGINS, WHILE SHOWN NEARLY NINE TIMES HIGHER THAN THE AVERAGE RURAL LEVEL.

-- ONE IN EVERY TEN RURAL HOSPITALS WAS BEING PAID 33 PERCENT BELOW ITS COSTS FOR SERVING MEDICARE PATIENTS.

-- AND LOSSES FOR MANY OF THE SMALLEST RURAL HOSPITALS HAD HIT A STAGGERING LEVEL OF MINUS 48 PERCENT.

MANY RURAL HOSPITALS CLOSED. IDAHO HAS LOST TWO. MONTANA LOST THREE.

AS IN MANY OTHER FEDERAL POLICIES -- SUCH AS AIRLINE DeregULATION AND PHONE DeregULATION -- THE
BLIND PURSUIT OF EFFICIENCY BECAME AN ALBATROSS AROUND THE NECK OF RURAL AMERICA.

BY 1986 IT WAS CLEAR THAT, FOR RURAL HOSPITALS, THE FEDERAL PAYMENT POLICY WAS A ONE-WAY TICKET TO OBLIVION.

SOLUTIONS FOR RURAL HEALTH

SINCE THEN LEGISLATION HAS BEEN INTRODUCED IN CONGRESS TO CORRECT IMBALANCES IN THE SYSTEM.


ALMOST EVERY SINGLE PROVISION FROM THOSE TWO BILLS IS NOW LAW.

THE REMEDY WAS SIMPLE. THE CONCERNS OF RURAL COMMUNITIES WERE TAKEN FROM THE OUTER FRINGES OF THE HEALTH POLICY DEBATE AND PLACED FRONT AND CENTER -- RIGHT WHERE THEY BELONG.
WE'VE ACCOMPLISHED A LOT.

WE'VE NARROWED THE URBAN/RURAL HOSPITAL PAYMENT GAP FROM OVER 20 PERCENT TO BELOW 15 PERCENT.

WE HAVE EXPANDED ELIGIBILITY FOR THE SWING BED PROGRAM AND THE RURAL REFERRAL CENTER PROGRAM.

WE'VE PROVIDED REWARDS FOR PHYSICIANS WHO GIVE PRIMARY CARE, AND WHO PRACTICE IN MEDICALLY UNDERSERVED COMMUNITIES.

WE'VE BEGUN TO MAKE REAL REDUCTIONS IN ABOUT A DOZEN HIGH-PRICED SPECIALTY SERVICES WHERE REIMBURSEMENT LEVELS HAD BECOME OVER-INFLATED.

FOR RURAL HEALTH CLINICS, WE DIRECTED THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO INCREASE AND PERMANENTLY INDEX THE FEDERAL PAYMENT LIMITS.

AND WE HAVE BEGUN TO ENCOURAGE GREATER INDEPENDENCE FOR NON-PHYSICIAN HEALTH
professionals by allowing them more opportunities to bill Medicare directly for their services.

In addition to these reimbursement reforms, we have now established a new Office of Rural Health within the Department of Health and Human Services. We've created a permanent set-aside of funds to support rural health studies.

And we've directed that future Medicare rules and regulations be analyzed for their effect on rural health care before, not after, they are published.

All totalled, in the last two years we have enacted over 25 separate provisions intended to address specific rural health problems.

Future Rural Proposals

But let's be realistic. For too long we've been on the defensive. Sure, we won important battles, but they were when the other team had the ball on "first and ten" with "goal to go."
WE'VE MADE SURE THAT RURAL HEALTH CARE WON'T BE LEFT OUT IN THE COLD TO FEND FOR ITSELF ANYMORE. BUT AS VINCE LOMBARDI OFTEN SAID, "THE BEST DEFENSE IS A GOOD OFFENSE." AND THIS IS THE TIME TO PUT THAT ADVICE TO WORK FOR US.

THE TIME IS RIPE FOR US TO CHANGE TACTICS -- TO SWITCH FROM DEFENSE TO OFFENSE. AND THE TIMING COULDN'T BE BETTER.

WE HAVE MOMENTUM GOING, AND IT IS IMPORTANT FOR US TO USE THAT MOMENTUM TO BUILD ON THE FUTURE.

AS I SEE IT, THERE ARE THREE KEY AREAS TO FOCUS ON: ISOLATION, EQUITY, AND ACCESS.

MORE MUST BE DONE TO REDUCE THE ISOLATION OF RURAL MEDICAL COMMUNITIES. WE CAN BETTER USE SATELLITE TECHNOLOGY TO LINK RURAL HEALTH PROFESSIONALS TO URBAN TEACHING CENTERS AND SPECIALISTS.
THE DEPARTMENT OF HEALTH AND HUMAN SERVICES HAS AUTHORITY TO START A PILOT PROGRAM -- I'D LIKE TO SEE IT EXPANDED.

JUST BECAUSE YOU CHOOSE TO PRACTICE MEDICINE IN PATTERTON, IDAHO OR CUTBANK, MONTANA DOESN'T MEAN YOU SHOULD BE CUT OFF FROM MEDICAL ADVANCES COMING OUT OF U.C.L.A.

THERE MUST BE EQUITY IN THE SYSTEM. WE'VE GOT TO MAKE SURE THE FEDERAL GOVERNMENT PAYS ITS FAIR SHARE OF THE BILL. AND WE HAVE TO.Make SURE THAT THE UNIQUE PROBLEMS OF OUR RURAL STATES DO NOT FALL ON DEAF EARS IN WASHINGTON.

WE CAN ESTABLISH HIGHER PAYMENT UPDATES FOR RURAL HOSPITALS, AND PROVIDE FINANCIAL REWARDS FOR PRIMARY CARE SERVICES AND PHYSICIANS PRACTICING IN RURAL AREAS.

THERE SHOULD BE EQUITY IN REIMBURSEMENT AMONG URBAN AND RURAL HEALTH CARE SERVICES. AND WE MUST RE-EXAMINE RURAL SAFETY NET PROGRAMS SUCH AS THE SOLE COMMUNITY HOSPITAL DESIGNATION AND THE RURAL HEALTH CLINICS PROGRAM.
NO ONE IS ASKING THAT SMALL RURAL HOSPITALS
AND CLINICS BE GIVEN A BLANK CHECK. BUT WE ARE
ASKING TO CHANGE A POLICY THAT SENDS ALL THE PROFITS TO
NEW YORK AND CHICAGO AND LEAVES YOU HANGING OUT TO DRY.

AND WHILE WE WORK TO STRENGTHEN FEDERAL
PROGRAMS, WE NEED STEPPED-UP EFFORTS TO IMPROVE
ACCESS TO QUALITY HEALTH CARE IN THE HEARTLAND.

WE COULD REWARD STATES THAT INCREASE THEIR
MEDICAID REIMBURSEMENT FOR OBSTETRICAL CARE.
THERE'S NO LONGER ANY QUESTION THAT THE FAILURE OF MEDICAID PAYMENTS TO KEEP PACE WITH RISING COSTS HAS CONTRIBUTED TO THE DECLINE IN OBSTETRICAL SERVICES IN RURAL COMMUNITIES.

AND WE NEED TO DEVISE NEW INCENTIVES TO
ATTRACT MORE DOCTORS TO THE COUNTRY. A NEW PILOT
LOAN FORGIVENESS PROGRAM SHOULD HELP. I HOPE SO.

THESE ARE ALL IMPORTANT AND NEEDED
CHANGES FOR RURAL HEALTH CARE. BUT THERE IS MORE.
I BELIEVE WE WILL SEE A MAJOR IMPROVEMENT NEXT YEAR IN THE WAY MEDICARE PAYS RURAL HOSPITALS. THERE IS ENOUGH SUPPORT IN CONGRESS NOW TO MAKE A REAL DIFFERENCE.

TAKING SOME HOSPITALS OUT OF P.P.S. IS ONE POSSIBILITY. ELIMINATING THE URBAN-RURAL PAYMENT DIFFERENTIAL IS ANOTHER. SMALL RURAL HOSPITALS HAVE JUST BEEN TAKING LOSSES FOR TOO LONG.

WHAT ALL THIS BOILS DOWN TO -- PUTTING THE RULES, THE REGULATIONS AND ALL THAT ASIDE -- IS PRESERVING A QUALITY OF LIFE. THE QUALITY OF LIFE THAT WE CHERISH IN THE ROCKY MOUNTAIN STATES. THE QUALITY OF LIFE THAT WE WON'T GIVE UP.

RURAL HOSPITALS ARE NOT COLD DISPENSERS OF PILLS AND ADVICE. THEY ARE OFTEN THE HEART OF THEIR COMMUNITIES. THE LARGEST EMPLOYERS IN TOWN. AND A PLACE WHERE FAMILY MEMBERS ARE BORN AND PULL TOGETHER IN TIMES OF CRISIS.

FOR THE PAST SEVEN YEARS OUR GOVERNMENT HAS TURNED A COLD SHOULDER TO THE NEEDS OF RURAL
AMERICA. IF IT WASN'T FLASHY, IF IT WASN'T FAST, IF IT WASN'T EFFICIENT -- IT WASN'T IMPORTANT.

LOOK AT OUR AIRLINES. THE ONLY WAY YOU CAN GET TO SMALLTOWN U.S.A. THESE DAYS IS TO BE SQUEEZED THROUGH SOME AIRPORT HUB LIKE CHEESE THROUGH A STRAINER. I KNOW, I DO IT EVERYTIME I TRAVEL BETWEEN WASHINGTON, D.C. AND MONTANA.

IF ANYTHING, WE NEED TO KEEP TEACHING WASHINGTON THAT THERE IS MORE TO RURAL AMERICA THAN FARMS AND RANCHES. THAT SMALLTOWN AMERICA HAS DREAMS AND AMBITIONS JUST AS URBAN AMERICA DOES.

THAT'S A TOUGH TASK. THERE IS A TERRIBLE DISEASE IN WASHINGTON. IT'S CALLED POTOMAC FEVER. IT AFFECTS THE BRAIN -- NARROWS THE MIND -- CLOUDS THE THINKING. AND THE ONLY CURE IS A VISIT TO RURAL AMERICA.

A YEAR AGO I INVITED DR. BILL ROPER FROM HCFA TO JOIN ME ON SOME VISITS TO RURAL HOSPITALS IN
Fortunately we had lousy weather! In Eastern Montana. I think it gave him a better appreciation of our concerns.

You need to do the same -- get more government officials out from behind their desks in Washington and into your hospitals and health centers. Give them first-hand experience with what is going on in your town. Like the first-hand experience walking from town to town across Montana.

Conclusion

The key is getting our message across. We have shown that we can make a difference when those of us who care about rural health care speak up and have concrete, constructive solutions to offer.

But we need to keep building on the rural health agenda. And Washington, D.C. needs to be constantly reminded of what you are facing here in Idaho, and of your ideas for change.
IN WASHINGTON, OPPORTUNITY KNOCKS NOT ONCE,
BUT MANY TIMES. THE KEY IS IN THE TIMING. 
AND RIGHT NOW IS THE BEST TIME FOR ALL OF US TO 
PREPARE OUR NEXT AGENDA FOR RURAL HEALTH CARE.

I WILL BE THERE TO WORK WITH YOU ON RURAL HEALTH. YOU HAVE MY SUPPORT. BECAUSE I KNOW TIMES HAVE CHANGED A GREAT DEAL SINCE MY WALKING DAYS IN 1974.

THE DIFFERENCE NOW IS THAT I'M NOT WALKING ALONE. I'M WALKING WITH YOU, AND WITH ALL THE PEOPLE FROM RURAL AMERICA. AND THAT MAKES ALL THE DIFFERENCE.