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Montana Medical Association Convention

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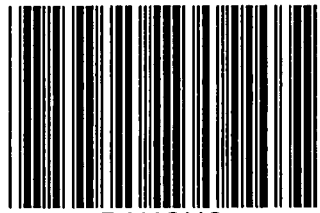

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Remarks of Senator Max Baucus
Montana Medical Association Convention
Missoula, Montana
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October 7, 1995

Good evening, friends. It's great to see all of you tonight.

I see a lot of old friends here. I've spent a lot of time working with people like Mike Sadaj and Kirke Nelson. And I know that few have done more to keep Montana "the last, best place" than our doctors. We have worked together not only on health care, but improving education, protecting the environment and promoting Western art.

And we have much more to do this year.

Balancing the budget after years of deficits.

Protecting our clean water, fresh air and our high quality of life, at a time when Congress is trying to weaken water protection and a foreign company wants to mine in the high ground between the Absaroka-Beartooth Wilderness and Yellowstone National Park.

Keeping our agricultural economy strong.

Making the self-employed health insurance deduction permanent this spring, and working to restore the home office deduction. I also know that many of you are concerned about the federal inheritance tax. And on that one, I should tell you that I have high hopes for our bill. I, along with Senator Dole and some others, are trying to eliminate the inheritance tax on businesses with a value under $600,000, and cut it in half for all the others.

But as physicians, all of you have a special calling and a special trust. So tonight I'd like to talk about health policy this year, and how it will affect rural states like ours.

THE HEALTH CARE SYSTEM

And when we talk about health policy, we should always begin by remembering the obvious.

The health care system affects every single American. I suppose maybe three or four "freemen" believe the New World Order runs all the hospitals and are opting for faith healing instead. But for the rest of us – from the Great Plains to the towns to Indian Country to the mountains – no policy issues mean more than those which affect our hospitals, our health bills and our doctors.

Nationwide, the health care system makes up one dollar in seven of the American economy.

Health care is one of the great sources of technological innovation in America and the world.

And most important of all, health care means -- well, health. Health insurance and a good doctor are essential for all of us.

Naturally, in a system this big and this important, everyone likes something. Everyone dislikes something. And everyone is convinced they know how to fix the problems. Put those three things together and you've got more than one good argument ahead.

But we all agree on a few things.

-- Americans deserve the best health care system available, and on balance we have it.

-- Americans deserve access to health care, and not everybody can afford access to health care.

-- And finally -- especially after last year's health reform experience -- a system this important is not something to toy with. If we set out to fix something, we must make sure it is really broken, and that we don't break something else in the process.

UNIQUE CHALLENGES

Where do we as Montanans fit into all this?

Eight hundred and fifty thousand of us are spread out over the fourth largest state in America. In mountain valleys, in small prairie towns, on Indian reservations, in cities, on the farm and on the ranch. It gives us a high quality of life. But it also creates some unique challenges. And we face a constant struggle to get national health policy types to understand those challenges.

People in rural communities have long trips to the hospital and sometimes have

trouble getting prescriptions filled. In Montana, a transportation program like Essential Air Service is also a health issue.

Farmers, ranchers and folks in small business pay more for insurance than people who work for big companies in the cities.

Likewise, a rural hospital normally has a smaller patient base, older patients, and a less dependable revenue stream than a big urban hospital. So people in small towns always live with the fear that they will lose access to health care completely.

You are more familiar than I with the troubles Montana doctors face. But I know that, for one thing, doctors in rural communities face huge and often discriminatory malpractice rates. For example, pediatricians are charged $70,000 a year for malpractice insurance. In cities they can join groups and get discounts of up to 35%, so a city pediatrician pays $54,000. The rural children's doctor makes less money but pays the whole $70,000.

So as we work for malpractice relief for doctors generally -- we need it, and I support a cap on noneconomic damages -- we also have to make sure our state is able to deal with the problems malpractice insurance raises for Montana in particular.

MEDICAL ASSISTANCE FACILITY

So we Montanans have unique challenges. And we have found some unique ways to address them.

Here is one example. A few years ago, we worked with the Health Care Financing Authority to give some rural hospitals greater flexibility and Medicare reimbursements high enough to stay open. We called it the "Medical Assistance Facility" or "MAF."

The MAF preserves access to basic acute and emergency care services, and provides in-patient care for up to four days. It allows doctors to practice in the communities they love. And it saves money. A new GAO report shows that the MAF saves Medicare about $67,400 over 172 patient cases. But most important, the people in the towns which MAF serves believe it is irreplaceable.

The MAF is still a demonstration project, though. Ultimately I'd like to make it permanent. I introduced our bill last June. Most people I talk to -- at home or in Washington -- feel pretty good about it. And our new Chairman, Senator Roth from Delaware, is a native Montanan who understands something about our situation. At this point we have extended it until 2002, and we'll keep at it.

That's an example of how things ought to work. We looked at a specific Montana

issue. We found a small-scale, local solution. And with a few years of experience, we are ready to let it grow and address the national question of preserving health services in small rural communities.

MEDICARE

We don't always do that. The Clinton health reform effort was a case of trying to do everything at once on a very big scale. And the public rejected it. Unfortunately, we have another bad example in the same budget bill that extends the MAF. That is Medicare.

We, as Montanans and as Americans, have to care for our elderly. And seniors often can't afford private insurance. In Montana, 70% of our seniors make $15,000 or less per year. So we need an equitable way to spread the cost of insuring them among the seniors themselves, their children, and society generally.

What we have found is Medicare. With all of its problems -- red tape, paperwork, administrative bureaucracy -- for thirty years, Medicare has guaranteed access to health care for American seniors. When it was created, seniors were the poorest group of Americans and the least likely to have health insurance. It was a national scandal.

Today the opposite is true. And 125,000 Montana seniors -- 37 million Americans -- depend on Medicare for insurance. But higher health costs and the growing senior population mean the cost of the system has begun to outrun its revenue. And we need to find $90 billion in savings in the next seven years to keep it solvent.

THE GINGRICH PLAN

That is a challenge. It requires some tough choices, and hard work to cut waste, eliminate red tape and simplify the system. Beneficiaries may need to give more -- for example, I've voted for a new co-pay. Providers will have to accept some cuts. We can't simply rely on old ideas and old ways of doing business.

But the Gingrich plan goes way beyond taking a new look at old ideas and making some changes. In order to pay for tax cuts, it reduces Medicare not by $90 billion but $270 billion. So let's talk it over, and review what it means for us. And I'll start with the good points.

It extends the MAF and adopts my proposal for new telemedicine grants for rural providers. It increases bonuses to rural primary care physicians. And while we should do more to ease antitrust restrictions for doctors -- it is the right thing to do and would cut costs and paperwork -- it does allow physicians to form Provider-Sponsored Networks to compete with other managed care plans.

But the plan has one big problem, which outweighs these good points. That is, it cuts three times too much. And that failing causes three other serious problems.

EFFECT ON DOCTORS

The first is overreliance on cuts in reimbursement to providers. That will hurt everywhere, but it hurts rural states most.

The reason for these provider cuts is obvious. In the raw political sense, nobody wants to hurt beneficiaries. And in fact, we need not hurt beneficiaries if we limit the cuts to $90 billion. But if you're talking about $270 billion, you have to gore someone. And they've chosen to gore providers.

So doctors will see a $23 billion cut in reimbursement over seven years. There will be a separate cut in outpatient payments, and $1.3 billion taken from payments to Ambulatory Surgical Centers like the ones we have in Billings and Missoula.

EFFECT ON HOSPITALS

Montana hospitals will be hurt just as badly.

Those with a large patient base will live through the cuts. But the result will be cost shifting. They will pass along the cost to you, along with the farmers, ranchers and small business folks who make up most of their privately insured patient base.

Smaller, more remote hospitals will suffer a lot more. Our friend Conrad Burns always seems to get more credit than me for being a silver-tongued orator. So I'll borrow his words. As Conrad said a year ago:

> "If you take hundreds of billions of dollars out of Medicare and Medicaid, funding that makes up the majority of the payments received by rural hospitals, rural hospitals are going to close."

The fact is, Conrad was correct. Some of our rural hospitals get more than 60% of their revenue from Medicare. As we look at a combined $452 billion cut in Medicare and Medicaid, there is no question that a lot of our hospitals risk closing.

That means health services lost. Rural doctors with deep roots in the community have to pick up their families, take their kids out of school and move to the city. And consequences beyond lost health services and disruption for doctors' families.

Take Richland County on the other side of the state. I was just out walking from

Fairview to Sidney a few weeks ago. Sidney has 5,000 people, and 70 of them work at Community Memorial Hospital. Except for the sugar plant, Community Memorial is the biggest employer in Richland County. Look at other rural counties and the situation is the same.

You cannot replace seventy high-paying, high-skill hospital jobs in a small town like Sidney. It is a crippling blow to the job base. A sharp fall in revenue for schools, police and firehouses. And loss of population as kids lose job opportunities and hospital families have to move to the city.

TOO MUCH RELIANCE ON MANAGED CARE

So the imbalance in favor of cuts to providers is the first big flaw in the Gingrich plan. The second is its extreme and probably unjustified confidence in managed care.

Mr. Gingrich believes he will save $70 billion by getting seniors to move into Health Maintenance Organizations. That strikes me as unlikely, and I'd like to know whether you feel the number is realistic. But the concept itself raises questions about the freedom to choose doctors. And ensuring choice is essential.

And in any case, this is not a sure cure for rural areas. Montana will get the short end of the stick. We do have some HMOs, but not all that many. Most Montanans don't have one nearby. We could not move thousands of seniors into HMOs even if we wanted to. Provider-Sponsored Networks are more realistic.

THE "NOOSE-TIGHTENING" CLAUSE

And that leads me to the third flaw. That is, Gingrich and Dole are making a wild guess about how many seniors their plan can herd off into managed care. And if it's fewer than they expect, the infamous "belt-tightening," or more accurately "noose-tightening," clause comes into effect.

The "noose-tightening" clause says that if we don't meet targets for savings, we take an across-the-board reimbursement penalty set in Washington. This penalty will fall completely on providers through fee-for-service cuts, lower payments to hospitals and the like. So in any of the next seven years, you, along with our hospitals, face the prospect of sudden, massive new cuts in reimbursement. You won't know about it, you won't be able to prepare for it, and it will go off like a bomb.

HOW TO FIX IT

The saving grace is that passing a bill takes time. But the longer this plan hangs out there in the sunlight, the more people realize it is a raw deal, developed through a closed process, which is particularly bad for the West. So even on the first day of Finance Committee review, some of the Western Republican Senators like Orrin Hatch and Alan Simpson were backing away from it.

And fixing the plan is really pretty simple. We reduce the Medicare cuts to $90 billion, the level we need for solvency. Preserve its good points. Scale back the tax cut, not to zero but to a reasonable level, so we can still balance the budget. Ultimately, set up a non-partisan expert commission to find the reforms we need for a permanent fix. And there we are.

CONCLUSION

I know I've spent a lot of time talking about problems. Our country does have to make tough decisions in a lot of areas, and we have to face up to them.

It is the rising cost of health insurance. The troubles rural doctors face. Other issues like education, crime, the deficit.

We are right to recognize those problems. We have to face up to them, and it isn't always easy. But every once in a while, we should also stop to appreciate our blessings.

We are lucky to be Americans.

We are at peace. For the first time in over sixty years -- for the first time since Adolf Hitler took power in 1933 -- America faces not a single deadly foreign threat.

We are prosperous. America's economy is booming; growing faster and creating more jobs than it has in a decade.

And we are lucky to be Montanans.

We live in the most beautiful place in the world. The land of the bear, the eagle and the cutthroat trout. Of wooded mountains and blue ribbon streams. As I walk along our roads -- through the snow from Livingston over the windy hill along the Bozeman Trail -- down the Lewis and Clark route from the Missouri headwaters at Three Forks to Helena -- stopping by at a family pig roast a few weeks ago at Sidney -- I appreciate it all the more.

And you in particular are lucky in your profession. Because like I said earlier, you have a special calling. A medieval Arabian philosopher, ibn Khaldun, says it best when he tells us that a few professions are set apart:

"Crafts noble because of their object are midwifery, calligraphy, literature, music and medicine."

A little poetic, but true.

God bless you, and thank you all.

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