

Teleconference Remarks to the New England Regional Health Care Conference
November 13, 1995

The President. I want to thank you for joining me on the conference call to talk about the proposed Medicare and Medicaid cuts in the congressional budget. And I want to apologize for not coming to Lawrence Memorial today, but I know you understand why I couldn't come.

Let me just begin by emphasizing again, the answer is not—excuse me, the question here in Washington we're debating is not whether we will balance the budget but how. I've been working for 3 years to eliminate this deficit, and we've gone from having one of the largest deficits in the world to the point now where our budget deficit today is the smallest of any industrialized nation in the world as a percentage of our income, except for Norway. Every other country has a higher deficit.

So I want to finish the job. But it seems to me clear that if you look at how the American economy is doing and if you look at how we're beginning to come to grips with some of our most serious social problems under the system we're now operating under, it would be a great mistake to have a dramatic departure that would eliminate the deficit by undermining our values and our interests, including our obligations to our parents and our children in the area of health care.

So I want to balance the budget. I want to strengthen the Medicare Trust Fund. But I don't want to destroy Medicare or Medicaid. And that's what I want to emphasize today. I believe that the proposed congressional budget, with \$440 billion in reductions in Medicare and Medicaid over the next 7 years, would have quite harmful consequences. Eight million Americans could lose their Medicaid coverage. People on Medicare will be forced to pay more, whether they can afford it or not. And the people who choose to stay in the Medicare program may have a program that doesn't meet their fundamental needs.

And of course, I'm very worried about what's going to happen to hospitals and nursing homes, teaching hospitals, children's hospitals. These are the concerns that I have. And what I wanted to do today in person with you we'll now have to do over the telephone, but I want to just

give all of you the chance to just specifically talk about, from your personal experience, what do you think is likely to happen here? And we'll start with our host, Charles Johnson. And let me again apologize for not being there with you. But I appreciate you taking this call, and I'd like for you to go first and comment.

Charles Johnson. Well, thank you very much, Mr. President. I appreciate that. And needless to say, we were very disappointed that you weren't coming, but we certainly understand.

The President. Give me a raincheck.

[At this point, Mr. Johnson, president, Lawrence Memorial Hospital of Medford, thanked the President for his leadership on health care issues and explained how proposed Medicare and Medicaid cuts would affect the hospital and its patients.]

The President. Well, thank you, sir. I just wanted to emphasize a couple of things, since you said what you did, that the medical community, the health care community in America has recognized that we can't go on for another 10 years with the costs of Medicare and Medicaid going up as much as they have in the previous 10 years.

On the other hand, as you know better than anyone, there are changes now occurring every day which are bringing the inflation rate down. Last year, for the first time in a decade, private insurance premiums went up less than the rate of inflation. And if together we can continue to manage these changes in a responsible way, then the inflation in health care costs will come down, but they will come down as people in the health care sector of our economy learn to cope and to find other options for dealing with these problems so that we won't say, "Well, we're going to cut an arbitrary amount of money, and we don't care about the consequences."

That's what our plan is focused on. It's focused on giving people more choices, more options, including giving hospitals and doctors the options to do some more participation in managed care options. But I also think we have to leave these seniors with a good, vital, vibrant

Medicare program that operates in the way the present one does. After all, it has lower administrative costs than any private insurance plan, and the inflation per Medicare recipient has not gone up more than the general rate of inflation in health care.

So I think we need to give you the chance to keep dealing with and implementing the changes that we've got. We need to give you some more options. But I think you've made it clear that just to pick an arbitrary number like this without any knowledge that it can be reached is a hazardous undertaking.

Mr. Hall?

Philo Hall. Yes, Mr. President.

The President. Perhaps you'd like to comment. I know that you live in a State like my home State that has an awful lot of people in small towns and rural areas. And I can tell you from 15 years of experience, I know what a hard time real hospitals had just staying open in the eighties and meeting all of the needs of their people, and I know what kinds of changes you must have already undertaken. But perhaps you could talk a little about the impact of Medicare and Medicaid on your hospital.

[*Mr. Hall, president, Central Vermont Medical Center, Berlin, VT, explained that Medicare and Medicaid paid about 75 percent of the hospital's costs and the proposed cuts would force the hospital to make drastic changes, including increased cost-shifting, to avoid closing.*]

The President. Thank you very much. You've made a very important point that I want to emphasize because I think it's been lost in this debate a little bit over the understandable concentration of what's in the Federal budget, and that is that if we move too far too fast and we put a lot of these hospitals at risk, one of two things is going to happen. Since there are plainly limits to how much more money can be taken out of the Medicare and Medicaid population, either the hospitals won't have the money they need to stay open and they'll close, which will cause a lot of disruption and a cost to our society far greater than any benefit to these cuts, or you will have to cost-shift onto people with private insurance, which will aggravate a problem that already exists where a lot of private employers and their employees are paying more than they should today.

And if that happens, in the end that's a defeating strategy, too, because as I'm sure you

know, we have a million Americans a year in working families who are losing their health insurance because their employers can't afford to maintain it. Now that we have inflation coming down in private health insurance premiums and we've got—we're trying to steer more and more of the smaller employees into big buying pools so they can buy competitive insurance at competitive rates, it would be a terrible mistake to do something that we know will accelerate the number of Americans losing their health insurance.

This is the only advanced country in the world where more people are losing their health insurance every year and there are a smaller percentage of people who are non-seniors—that is, who don't have Medicare—smaller percentage of people with health insurance today than there were 10 years ago. And I really appreciate your saying that because that's an important thing, that we've lost too much. This is not just something that will affect the senior population or the poor. It will affect the middle class who have health insurance for the very reason you said. And I appreciate that.

I'd like to go on now to Barbara Corey, who is a senior activist with the Quabbin Community Coalition in Petersham, Massachusetts. And Barbara, you're on the line—

Barbara Corey. Yes, I am, Mr. President.

The President. —and I wish you would talk to us about what you think the impact of these cuts will be on the people you represent.

[*Ms. Corey said that most Medicare and Medicaid recipients were hard-working people in need of a helping hand and that tax breaks for the wealthy and cuts in these services would be detrimental to hospitals and patients.*]

The President. Thank you very much. I'd like to just sort of emphasize one of the things you said there, and that is that I don't think many Americans yet, unless they have parents who relied on Medicare and Medicaid, have really grasped the fact that there are an enormous percentage of these seniors out here who have a decent life—

Ms. Corey. That's right.

The President. —on a low income, only because of Social Security and Medicare—

Ms. Corey. That's right.

The President. —and that we have to make sure that as we lower the rate of increase in Medicare that we're doing it in a fair way. And

\$400 a month is not a lot to live on, but there are—there are not just a few, there are millions and millions of seniors out there living on that.

Ms. Corey. That's right. That's right. Good people. And real people.

The President. And their children.

Ms. Corey. Absolutely. And you're right when you talk about the fact that it's all the generations. It's the elderly population's children that are going to be devastated by this as well. It's a tough time.

The President. It is a tough time. But the other thing I'd like to emphasize on this is that we don't have to do this. That's another thing I'd like to say.

Ms. Corey. That's right.

The President. We are succeeding in slowing the rate of medical inflation.

Ms. Corey. Exactly.

The President. Creative people, not the Government, but all these creative people out here working together, in the hospitals, in the nursing homes, are finding ways to lower costs. We can do this. But if we go too far too fast, we're going to hurt not just the elderly, but we're going to hurt their children and their children's children. You think about all the middle class children of these folks in the nursing homes, just for example, or the—[inaudible]—premiums double. All the money they then have to give to their parents is money they won't be able to invest in their children's education.

So this is not just an elderly issue. This is an issue for all Americans, and it's not just a poor person's issue, it's a middle class issue.

Ms. Corey. Exactly, exactly. And I'm grateful to you for the concerns that you're showing.

The President. Thank you so much.

I'd like to ask Alan Solomont, whom I've known for some years now and who does a very good job in running a significant number of nursing homes, to talk a little bit about the impact of these cuts on his employees and perhaps on the quality of service that the patients get.

What do you think is going to happen with the Medicaid cuts? We've heard a lot about Medicare and not so much about Medicaid, perhaps because the program's not as familiar to the American people, so maybe you could talk a little about that, Alan.

[*Mr. Solomont, president, ADS Group, Andover, MA, explained that proposed cuts would ad-*

versely affect middle class families who depended on Medicaid to help them take care of their elderly parents, as well as causing the quality of care in nursing homes to decline and many employees to lose their jobs.]

The President. Thank you very much. And I want to thank you and your employees, through you, for the quality of care you are providing. You know, I'm old enough to remember now—and I've been involved in public life for about 20 years now—I remember what nursing homes were like when there was no Medicaid investment and no standards. And we've seen a combination of appropriate standards and better investment over the last 20 years and a dramatic increase in the professionalization of the care in nursing homes. And that's something, I think—I'd just like to ask all of our country men and women who are old enough to remember this, to remember what it was like before this sort of thing happened.

And we now have—we're a fortunate nation. We're getting older. We're living longer. We can look forward to longer lives. But the fastest growing group of Americans are people over 80. And there is no quick or easy way to avoid the fact that we need to be providing adequate, appropriate levels of care. And as you well know, a lot of people in nursing homes have done all kinds of things to be more efficient, forming partnerships with hospitals, having boarding homes, doing more—sometimes doing more home health care. But in the end, there are people who need to be in the homes, and they need to be properly cared for.

I also appreciate what you said about the people you're hiring. The Republican Congress and I, we both say we want to move more people from welfare to work. If you look at the realistic options for moving people from welfare to work, among those are in the caring profession, particularly moving into nursing homes or, on the other end of the age spectrum, into child care, into helping our young children.

When I was Governor, I sponsored a whole program to try to create more child care training slots and put child care centers in our training schools so that—our technical schools—so that welfare mothers could begin to get jobs there, and then the nursing homes were hiring them when they got out of the training program.

These are the kinds of things that we have to do. So if we expect to have welfare reform,

we have to have jobs for these people when they get out. And we need these jobs in the caring professions. And we will need more of them, not fewer of them, as time goes on.

There again, I would say, that's why you don't want to cut too much too fast before you know what the consequences will be, because we do not know—these budget numbers were basically plucked out of thin air once they decided that they were going to have a 7 year balanced budget with unrealistic economic assumptions and a \$250 billion tax cut. We ought to put health first and say, how are we going to lower the rate of inflation? That's what I tried to do in the budget that I presented.

So I thank you for what you said, because I think it's important that people focus on these employees as well as on the fact that, you know, this budget will not repeal demographic trends in the United States.

Mr. Solomont. That's right.

The President. People over 80 continue to be the fastest growing group of our population.

Mr. Solomont. Absolutely.

The President. Mr. McDowell?

[Donald McDowell, president, Maine Medical Center, Portland, ME, explained that cuts in Medicare and Medicaid would jeopardize community access to health care. He then stated that the health care industry must be given the freedom to restructure the health care system and that the State of Maine must receive financial assistance to attract medical students who would later practice in the State.]

The President. Thank you. I'd just like to make two comments, one hopeful and one sort of on the lines we're talking about here. The hopeful comment is that I do believe this is one area where we can reach agreement with the Congress. I have long advocated changes in the present law which would permit doctors and hospitals to have the flexibility they need to establish their managed care networks and to provide the most cost-effective direct way to provide these kinds of services to patients. So I think that in the end, we might be able to get some very good legislation on that, and I am encouraged by that. I do think that we'll have broad agreement on that.

But again, I go back to the point you made about doctors staying where they're trained. It's not just that. You know, in my rural State, when I worked for years and years to get doctors

out all across the State and we had all kinds of regional educational programs and outreach programs and rural training programs, we also found that doctors simply would not stay where they did not have adequate support.

So if there is no hospital, if they don't have that clinical support, if they don't have the things that make it possible for them to know they can succeed in family practice, you may wind up with a serious doctor shortage no matter where you train them. And so, that's another argument for making sure that before we just kind of jump off a cliff here, we know exactly what we're doing and that we're going to have the necessary physician network out there in rural America.

Mr. McDowell. I think those that say that we have too many doctors in America need to visit Aroostook County, Maine.

The President. You've got it. No rural resident of the United States believes that we have too many family practitioners in this country and out there serving people, and I appreciate you saying that.

Mr. MacLeod?

[Leslie MacLeod, president, Huggins Hospital, Wolfeboro, NH, explained that proposed Medicare and Medicaid cuts would have a great impact on New Hampshire hospitals and the surrounding communities. He then stated that senior citizens who had worked hard to build the Nation should not bear the major burden of cutting costs.]

The President. Thank you for making that point. You know, I just have two observations about what you just said. First of all, I have been impressed by the extent to which seniors all over the country are willing to do their part to try to help this country slow the rate of medical inflation and make sure that we have money to invest in education and technology and the future of the country. But they just don't want to be asked to jump off a cliff, to go into a forest with no path to the other side. And that's what I think we're all concerned about.

When I went to Florida a few weeks ago, I was so impressed by the willingness of the seniors there to try to, based on their own personal experience, to suggest ways that we might reduce costs. But no one, no serious student of this subject believes that cuts of this magnitude can be absorbed without serious adverse

consequences, both to the seniors and the health care system. And I think that's—you have articulately said why that's not fair.

The other point I want to emphasize, because there will be people all across America who will read about this, is that these comments are coming in part from people who come from the three northeasternmost States in our country, Maine, Vermont, and New Hampshire, where Yankee frugality is still alive and well, where people don't want a big Federal Government, where they want the budget balanced, where they expect us to stop wasting money. But it's important that we recognize that Yankee frugality is something that is consistent with living by basic values.

And I want to say again, we've reduced the size of this Federal Government by 200,000 people since I've been President. And as a percentage of the civilian work force, your Federal Government is now the smallest it's been since 1933, as a percentage of the work force. We are bringing down the Government. But we're doing it in a disciplined way that has—frankly, almost no one in America has noticed that we've downsized it this much because we've done it in a way that enabled us to maintain services with higher productivity and to treat the Federal employees who left our Federal service with dignity and honor.

That's the way we ought to approach the health care issue. We ought to be able to slow the rate of inflation in ways that people won't notice because we will do it at a pace and in a way that will continue to enhance the quality of health care and meet the challenges that we face. And I think that's what you're all telling me. You think you could do it if people don't throw an arbitrary number at you that no serious student of health care believes can be absorbed.

There's one serious issue we really haven't talked about yet, and I want Dr. Rabkin to wrap up this conversation by dealing with that, the whole issue of medical education and how these programs have worked to further that.

[Mitchell Rabkin, M.D., president, Beth Israel Hospital, Boston, MA, stated that many Boston academic medical centers which had already reduced operating expenses and employment were concerned that future cuts would affect education, training, and research.]

The President. Thank you very much. Let me say that I believe that this is the one aspect

of this debate that most Americans don't know about, that the Medicare and Medicaid programs over time have been used by the Congress to funnel some extra money to our teaching hospitals, our children's hospitals in the form of the disproportionate share payments, among others, to support medical education and to make sure that the patients are there for the young doctors to treat. And I think that it would be fair to say that not more than 5 or 10 percent of the people in the United States would be aware of that; there's no reason they should be.

But when Congress decided to support medical education in this way, it served as a vital lifeline to keep our medical schools going and doing well and also meeting an important community need. And again, just to cut at this level in this way will really be a blow to the medical schools.

As you well know, we've tightened up on those payments in the last several years anyway. We've tried to practice certain economies. But to put what is clearly the world's finest system of medical education at risk I think would be a grave error. And that's another reason that I don't want to see cuts of this magnitude, because every, every American, even Americans who may never spend a dollar of the Government's money through the Medicare program and certainly may never be eligible for Medicaid, every American has a clear interest in having the best trained doctors in the world. And Medicare and Medicaid have contributed to that and need to be able to continue to contribute to that in an appropriate way. And I thank you.

Dr. Rabkin. Well, thank you, Mr. President.

The President. I thank all of you. I've enjoyed this conversation very much. I wish it had happened face-to-face. And I thank you for your concern and your interest. Just keep speaking up, keep going forward, and we'll keep working here to make sure that we do the right thing.

NOTE: The President spoke at 12:50 p.m. from the Oval Office at the White House to the conference at Lawrence Memorial Hospital of Medford, MA.