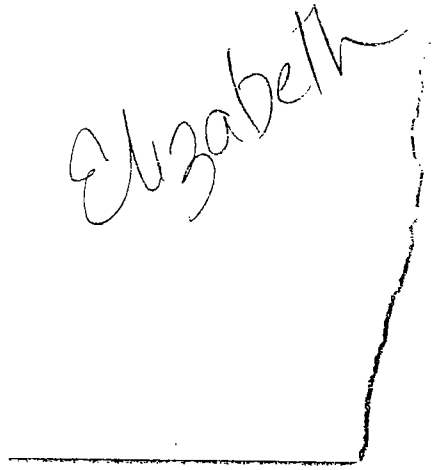
Elizabeth

REMARKS BY CAROL H. RASCO
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Thank you Lanny for that warm introduction.

GOOD MORNING, it is a pleasure to be with you today in Santa Fe for the annual conference of the National Association of State Comprehensive Health Insurance Plans along with Communicating for Agriculture. I thank the two organizations for the invitation to speak with you today as well as to listen to your questions, thoughts and concerns.

I also give a special thanks to all of you who do the hard work – providing health care to citizens throughout the nation who otherwise would not have affordable and desperately needed health insurance.

I must say that the purpose of your organization and of this conference is encouraging. To see states come together to share information across programs in a sustained effort is impressive.

This morning I would like to talk with you about four issues: (1) the role of state and federal governments in improving health care coverage, (2) the goals of the Kassebaum–Kennedy law, (3) its potential impact on state risk pools, and (4) future steps needed to improve access to and affordability of health insurance.

I. The Role of State And Federal Government In Providing Health Care Coverage

There are tens of thousands of Americans who simply would not have health insurance, were it not for state risk pools. Although risk pools vary in size across states, they share a common goal -- providing health care when it is needed most.

The range of participants is great. In Minnesota, over 35,000 individuals are covered. In Alaska just over 100 people are enrolled. And, in my home state of Arkansas, 85 contracts have already been issued, although the majority are still pending. But no matter how big or small, old or new the programs are, they are each important, and each plays an important role in their respective states.

You know this because you see these people coming to you for help at a time when they need it most -- at a time when a family member is very ill or a parent has lost her job and has no where else to turn to get security. At the state level, your risk pools provide a safety net to thousands of individuals, without which many of whom would be left with no choice but to go without needed care. It is both a responsibility and an opportunity to design a system for those in need. I applaud your efforts to constantly find new ways to improve the coverage you provide.

As head of the White House Domestic Policy Council -- which coordinates the efforts of the Administration in the development and implementation of our nation's domestic policy -- I believe we need to make continued efforts to make health care more affordable to those that desperately need it. And I believe the government has a role to play in making this happen.

As the President stated on Sunday night, he believes that the appropriate role for government is to offer opportunity, reward responsibility, and foster a common community. Clearly, then the federal government has an important job to do in the area of health care and making sure that people can afford to keep their health care coverage in times when they need it most. And, when both Democrats and Republicans work together, I know that real progress can be made toward improving health care coverage for all Americans.

II. The Kassebaum-Kennedy Law

The "Health Insurance Portability and Accountability Act," known to most of us as the Kassebaum-Kennedy law, is an example of what we can do when we work together and put America's families first.

Although the health insurance provisions are the heart and soul of this important law, there are many other important provisions that the President has long advocated for that are included in this legislation. Some of these provisions will significantly assist people in the individual market, such as the self-employed, make their way through a complicated and expensive health care system.

First, the bill makes it easier and less expensive for the self-employed to purchase health insurance. It phases in a tax deduction of 80 percent for the self-employed and helps to even the playing field with bigger businesses.

Second, it prevents fraud and abuse. It toughens penalties and helps us to go after bad apple health care providers who bilk the system of billions of dollars from Medicare, from Medicaid and from private insurance companies.

Third, it makes the health care system more simple. It will modernize, streamline and cut the cost of insurance paperwork by devising a uniform electronic system for paying health care claims. It will provide steps to protect the privacy of people in the system as it does so.

And fourth, it helps with long-term care. It provides consumer protections and makes long-term care more affordable. This bill, in short, does a great deal.

But I know that the provisions that are of most interest to you are the insurance provisions and how they will affect state risk pools. With this bill we take a long step toward the kind of health care reform our nation needs.

As administrators and program managers of high pools you know first hand of the need to provide health care coverage for individuals who are unable to purchase health insurance, at any price, because of their health status. The Kassebaum-Kennedy law takes an important step toward changing health care coverage of many -- no longer will Americans live in fear of losing their coverage because they have a pre-existing condition. This bill will provide security to as many as 25 million Americans who can't get insurance or who fear they will lose it. Specifically, the bill requires plans to limit pre-existing condition exclusions, guarantee access to health insurance for small businesses, and guarantee issue of health insurance for individuals moving from group to individual coverage.

Under the law, insurers cannot impose new pre-existing condition exclusions for workers with previous coverage. Workers covered by group insurance policies cannot be excluded from coverage for more than 12 months due to a pre-existing medical condition. Such limits can only be placed on conditions treated or diagnosed within the six months prior to their enrollment in an insurance plan. While this provision helps to make health care insurance more available, many individuals may still not get coverage based on the affordability of policies.

Additionally, the law says that people who lose their group coverage will be guaranteed access to coverage in the individual market, or states may develop alternative programs to assure that comparable coverage is available to these people. The coverage will be available without regard to health status and renewal will be guaranteed.

And, finally, insurers in the individual market will be required to offer coverage to persons who 1) were insured over the previous eighteen months; 2) lost previous coverage under certain circumstances such as the loss of employment, divorce, or a change of residence, and 3) apply for individual coverage within 63 days of losing their previous coverage. Insurers will be required to renew coverage without regard to health status.

That's the good news. Now we must address the question of how to implement this law without undermining the good work state risk pools have done to insure some of our nation's most vulnerable citizens.

III. Impact of Kassebaum-Kennedy Law on Risk Pools

Clearly, the enactment of the Kassebaum-Kennedy law has the potential to impact the operations of your risk pools. And we need to work with you to make sure that Kassebaum-Kennedy works in a complimentary way with all the fine work you've done. I want to talk about the provisions in which you are most interested, but I also want to listen to you, because I know that two-thirds of any law is in the implementation of the law, not the signing of it. We worked very hard with the National Association of Insurance Commissioners (NAIC) to develop an approach to insurance pools that has as little impact on the positive aspects of the work you are doing. We will need to continue to work with you and the NAIC as the law is implemented.

The area of the bill that you are probably most concerned with is the group to individual provisions. Let me tell you a little more about them.

Under the new law, insurers must offer eligible individuals -- moving from the group to individual market -- a choice of at least two health policies. To do this, states have four options. First, they can offer any 2 policies that are "generally available to" and "actively marketed to" the eligible population and others. Second, states can offer their two most popular policies. Third, they can offer the 2 policies with representative coverage. Or, finally, the state may elect an alternative.

States may designate a high risk pool as one of these choices. Some states already expect to use risk pools as an alternative while other states either have not yet decided or may choose to use other options.

If a state chooses to use a risk pool as an alternative, the risk pool would need to do two things to comply with the law.

FIRST, risk pools should not impose any pre-existing condition exclusions.

And SECOND, risk pools should provide premium rates and benefits consistent with the NAIC Model Health Plan for Uninsurable Individuals Act. Specifically, this Act suggests setting premium rates at no higher than 200 percent of the standard rate in the individual market and offering comprehensive benefits.

Now I know what you must be thinking. How does my state's risk pool match up to these standards? What changes, if any, will my program need to make to comply with the new law? And how will this be implemented through the Department of Health and Human Services?

I recognize that these provisions may create some challenges for risk pools. I want you to know that the Department of Health and Human Services is committed to implementing this law in a sensible way with your concerns in mind.

That is why the timing of this conference was planned perfectly. A team in the Department is working on the development of regulations on the implementation of the Kassebaum-Kennedy law as we speak. And, as you know, how terms are defined and how provisions are enforced will make more of an impact than the law's enactment.

These regulations will include the process for states to get certification or approval of a risk pool. This team hopes to issue an Advance Notice of Proposed Rulemaking (ANPR) by the end of the year to discuss the substantive and procedural compliance with the law. In the interim, the Health Care Financing Administration will provide technical assistance to states. I have brought with me a handout on the process that includes names and numbers of individuals to contact after the conference, if you should still have any questions.

To help answer your specific questions, I have here with me today Mr. Tom Hoyer, director of the Office of Chronic Care and Insurance Policy at the Health Care Financing Administration (HCFA). Mr. Hoyer has been with HCFA for over 20 years, and I am confident that he will be of great assistance. However, as I am sure you are aware, there are some areas which Mr. Hoyer may not be able to comment on due to the current stage of regulation development.

IV. Building on Kassebaum-Kennedy

The Kassebaum-Kennedy law provides a strong foundation from which we can build.

But there is more that we can do. And there is more that we must do on behalf of the almost 41 million uninsured individuals in our country, or 1 out of 6 Americans.

We've learned a lot during the debate on national health care reform during the first two years of the Clinton Administration and during debates on Medicare and Medicaid in the past two years. First, people subscribe to the hippocratic oath - do no harm. And, second, do not take away the benefits I have today. As a result, the system is vulnerable to both fair and unfair criticisms of any reform. Consequently, the best way to work with this fear is to work with states and communities and others to foster broad consensus on issues and work on a bipartisan basis.

The most recent illustration of how we can achieve real success if we work together is of course the Kassebaum-Kennedy bill. But there are also many other examples. The President recently signed into law a provision that would move toward providing mental health coverage parity. And we can do more in this context.

We can build on the Kassebaum-Kennedy bill by providing for a "Workers' Transition Insurance" benefit to help the temporarily unemployed afford to keep their health insurance. We can empower small business to gain market-leverage to access and purchase more affordable insurance through the use of voluntary health purchasing cooperatives. We can examine issues of quality in health care through an Advisory Commission on Quality and Consumer Protection in the Health Care Industry. We can do these things in the context of step-by-step health care reform.

All of these initiatives have state and local roots. The ideas came from the bottom-up, rather than the top-down. We want to listen to you and learn from you how to best improve the system we have. This is the lesson we have learned. We look forward to working with you in the coming months, and hopefully years, to talk about how to implement important reforms, such as those in the Kassebaum-Kennedy bill, and what the Administration's next steps should be.

Thank you.