TALKING POINTS FOR CONGRESSIONAL HEALTH BUDGET MEETING

June 3, 1997

- **HISTORICAL OPPORTUNITY.** This budget offers an unprecedented opportunity to pass the most significant health care reforms since Medicare and Medicaid were enacted over 30 years ago. If we succeed, we will:

  - Modernize and reform Medicare, extending the life of the Medicare Trust Fund for well over a decade, and lay the foundation for addressing the long-term financing challenges facing the program;

  - Offer states unprecedented flexibility to efficiently administer Medicaid; and

  - Extend health care coverage to millions of uninsured American children.

- **BIPARTISAN PROCESS.** We are at this point because of your cooperation and diligence in putting the interests of good policy ahead of partisan politics. This occurred both in the negotiations leading up to the budget agreement, and in the preparation for the upcoming mark-ups.

- In particular, Chairman Archer, Chairman Bliley, Subcommittee Chairman Thomas, and Subcommittee Chairman Bilirakis deserve great praise for how you have integrated our Democratic colleagues in the drafting of the respective mark-ups. I believe the final budget and the country will be all the better for the process you have established.

- **COMMON GROUND.** The result of this bipartisan work is a foundation of policies that we all agree will help reform the entitlement programs. These include:

  - Modernizing the program by offering more plan choices to Medicare beneficiaries. Mr. Thomas, you have been a leader in this area.

  - Reforming the fee-for-service program through prospective payment systems for home health, skilled nursing facilities, outpatient departments, and other fee-for-service providers. Mr. Thomas and Mr. Stark, you have been working on these issues for years.

  - Assuring that beneficiaries have adequate consumer and quality protections in both Medicare and Medicaid. Mr. Stark and Mr. Dingell, you have led the way here; and

  - Providing new Medicare preventive benefits, such as screening for cancer and diabetes self-management. Mr. Thomas, Mr. Bilirakis and Mr. Stark have worked diligently on these issues.

- **PRIORITIES.** At the beginning of the Congressional mark-up process, I would like to emphasize several of my priorities.

MEDICARE

- **Prudent purchasing reform**. I share your belief that Medicare will survive only if we take from the private sector its best lessons in competition and negotiation. That is why I hope you give serious consideration to proposals that give the Secretary the authority to negotiate lower prices through competitive bidding and other similar market-oriented mechanisms.

- **Immediate home health reallocation**. I support the immediate reallocation of long-term home health care to Part B because it is good policy. There is no reason to phase it in over time. Doing so will reduce how much we extend the life of the Trust Fund by at least two years.

- **Carving out academic health center payments from managed care.** I believe we should make it a priority for medical schools and other teaching facilities to be directly compensated for their unique additional costs -- and not dependent on whether managed care plans pass on the payment we give them for this purpose.

- **Medical Savings Accounts (MSAs).** Everyone in this room knows I have major concerns about a new Medicare Medical Savings Account. Such an approach will -- according to CBO -- cost the Trust Fund money and has great potential to adversely select healthy populations away from the traditional program. I don't believe we should move in this area.

MEDICAID

- **Disproportionate Share Hospital (DSH) reductions.** After major objections from Governors, among others, we agreed to drop the per capita cap proposal from our savings package. Now the Governors want to reduce the DSH reductions. We believe that our savings are achievable if DSH funds can be better targeted.

- **Medicaid investments.** Our investments were explicitly referenced in the budget agreement. If we can maintain our DSH savings -- as I believe we can, we should honor the agreement on the investments.

CHILDREN'S HEALTH INITIATIVE

- **Efficient investment for children's coverage.** One issue that I feel the most strongly about is the opportunity to expand children's coverage. I look forward to working with you on the most efficient way to provide meaningful coverage for up to 5 million children.

However, I have concluded that tax incentive approaches are not the best mechanisms to most efficiently target our limited $16 billion children's health budget investment. I have become convinced that these approaches are administratively burdensome, costly and would not most efficiently pick up uninsured children. Therefore, I believe that the $16 billion should be used through Medicaid or a capped mandatory grant option. If, however, you propose tax incentive options in the context of your tax cut proposals, I am open to reviewing them to determine their priority relative to other tax cut proposals.

- **CLOSING.** While we will not agree on everything at the beginning of this process, I am confident that we can build upon the strong bipartisan working relationship that we have developed, and finalize this historic agreement in a way that is acceptable to all.