REMARKS OF SENATOR JOHN HEINZ (R. PA.)
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Chairman Nicholas, Mayor Elect Goode, distinguished guests and friends: good morning. It is a personal privilege to address this great convention of this pioneering union. There is no labor organization in the United States of America that has fought harder to win decency and dignity for its membership. For what you have done to give this nation's health care and hospital workers pride, for your unremitting efforts to help your membership realize the promise of America, I congratulate you. For your invitation to speak here today I thank you. And, since this is my first opportunity to do so since my reelection to the Senate in 1982, for your endorsement and strong support in my campaign, let me add that I am deeply and personally grateful.

It is also a great privilege to follow to this podium our new major elect of Philadelphia Wilson Goode. There is no doubt in my mind that Wilson Goode will prove to be an outstanding Mayor. Maybe Goode is a Democrat and I am a Republican but we can and will work together. And I have told him -- and I repeat it today -- that I intend to do everything in my power in the Senate to help.

And I am deeply appreciative to your dynamic president, Henry Nicholas. It was well over two years ago, many months before Mayor Green decided to retire, and long before anyone else, that Henry Nicholas introduced me to another Philadelphia Labor audience wearing a Wilson Goode Button. He wasn't just the first to wear the buttom -- he was just about the only person in Philadelphia wearing that button. Being out front is characteristic of Henry Nicholas' leadership. And so is raw personal courage and guts.

Last year, when the present Governor's administration in Harrisburg proposed fairly drastic changes in Medicaid reimbursement to nursing homes, your president went on a hunger strike to protest. After 21 days, the Governor relented and modified the proposals. Congratulations in choosing in Henry Nicholas a leader willing to put his body on the line for the sake of your membership.

I want to talk with you this morning about what's going on in Washington, and in the Congress, in the area of health care. You know that we're in the middle of a time of change, a time for developing new ways to deliver and finance health care. It is a time of reform and as the workers on the front lines -- trying to maintain quality services -- you know how much is at stake. You know the difference -- and threat -- of change for the sake of

change. You recognize -- and have always fought for change -- when it was change for the better.

You know that many of today's changes already are putting greater financial pressure on hospitals and nursing homes. You know that these changes can threaten your job security. And you know also that they can threaten the quality of the care given to our patients, or further impede access to health care by the poor, the elderly, the working poor and others. In short, you know better than most, including many in Washington, what these changes can trigger and what a fine line separates success from disaster, what separates positive health care reform from regressive retrenchment.

So what lies behind these changes and what lies ahead? Where are we going in all of this? And what will it mean for those of you who work in health care -- and for all Americans who depend on your services, and our health care institutions, in times of injury or sickness?

Tough questions, yes, and I'm not sure any one person has all the answers. But this morning I'd like to share with you what I see is happening, and the directions I think we need to take for the future.

We all know we have a big problem with the federal deficit -- a $200 billion problem, in fact, with no pot of gold in sight to pay the interest, much less repay the loan.

But the deficits we face today don't even include the deficits that Medicare will generate in the near future. Medicare is in such bad financial shape that it will be bankrupt by 1988 and run a deficit of over $300 billion by 1995. Here in my home state of Pennsylvania, where almost one out of every two dollars paid for hospital care comes from Medicare, bankruptcy would shut the doors of many hospitals and create job lines and sick lines in front of others.

Now last spring, Congress rallied to save the social security retirement program from imminent bankruptcy and an expected $200 billion deficit by 1990. We all know social security is the nation's most important federal program. Yet, as a member of the National Commission which finally developed Social Security Solvency plan, I can tell you that our job was monumentally difficult. It was a mammoth undertaking. And yet it will have been child's play in comparison to solving Medicare's coming problems. For one thing, the deficits predicted for Medicare -- $200 billion by 1995 -- is fully $100 billion more -- 50 percent larger than the deficit we had to close for social security, a program four times bigger -- and therefore four times easier to fix. Now some people are already saying we should throw in the towel and phase out Medicare. They say "Let Medicare go the way

of the dinosaur. It was a great idea, but it didn't evolve fast enough to survive the ice age." That's totally irresponsible. But I don't think we should minimize the problem. To see why there aren't any easy solutions to the problem, lets talk about what's causing the problem.

For almost 10 years Medicare costs, like those of all health care insurers, have been rising at two to three times the general rate of inflation. These costs are multiplying partly because medicine today uses more technology, and this technology is ever more expensive. They are rising partly because people live longer today and have the need for more health care as they get older. But technology and the aging of the population taken together only account for a fraction (30 percent) of the cost increases in Medicare. By far the greatest portion of these increases is caused by doctors ordering more tests and services for each patient, and most of all, by plain and simple price increases -- providers charging more and more for the same service without Medicare setting any effective limits. Medicare's system of retrospective reimbursement has been like sending a boy to the candy store with a blank check -- so of course there were going to be purchases and expenses beyond those that were necessary. The system has caused costs to get completely out of hand. And you and I have to figure out how to treat a huge bellyache from all that overindulgence.

Where has this money gone? Well, it's quite obvious that it didn't go to pad the pockets of those, like you in this room, who actually do so much of the real work of health care. To the contrary, it's those at the top who have increased their incomes beyond what anyone imagined 20 years ago. We don't need a financial wizard to analyze what's happened here. It's clear that doctors and hospitals are free to set their own prices and generate dollars from our national health care programs without any accountability to the taxpayer.

We in Congress are beginning to respond to this situation. Most of you have heard about DRG's -- Diagnostic Related Groups -- that are becoming the basis for a prospective payment system of hospital reimbursement. If the hospital experience goes well, we will take a look at expanding this method of payment to include nursing home care and other parts of the health care system in addition.

I want to make two key points about what needs to happen next. At present, DRG's put all the pressure on hospitals to control costs, ignoring the doctors who make the decisions that generate costs. If all we do is tighten up on hospitals or nursing homes as institutions, without reducing orders for unnecessary medical equipment or services, or reducing excessive mark-ups on equipment and supplies, the main option of Administrators will be to crack down on their direct labor costs.

That's not where the problem is, that's not what the problem is. I say it's dead wrong to blame hospital workers for high medical costs, and I pledge to fight any system that further tightens the belt around working people and allows doctors and supply houses and others to keep making huge profits.

So point number one on the subject of cost control is that we need to expand our new way of reimbursing for hospital care at least to include in-patient physician services.

Point number two -- we need to expand this way of paying for hospital care beyond Medicare alone. What we now have, with restraints applicable only to Medicare, is a situation which encourages the hospital to raise its charges to other patients and their insurers in order to subsidize the care for Medicare patients. We've been telling hospitals for a long time, "look, we don't care what the cost is, as long as you don't bill us".

Medicare already gets a bargain rate from hospitals. Under the new Medicare-only DRG system it won't be long before an identical $10,000 surgical procedure is being billed differently according to who pays, say, only $8000 to Medicare, but $12,000 to patients covered by regular health insurance. I think you can see the kind of monster this will ultimately create -- a two-tiered health care system, where providers seek the "profitable" private-pay patients and shun the Medicare "losers". Who would this system hurt? The elderly, of course, but also the poor, the unemployed and uninsured, and all those health care institutions that operate in our nation's central cities, or poorer neighborhoods, or serve largely the elderly.

Some people have said you can have a national health care system with separate but equal service. I say that separate systems -- be they in education, in housing or in health care -- are inherently unequal. You and I must reject any health care system that turns back and embraces a concept this nation rejected almost 30 years ago. We will not allow the clock to be turned back because our poor, our elderly, and our health care system deserve better.

My friends, if we know what the wrong answer is, what is the right solution? I think what's needed is across-the-board reforms applied to all insurers, not just Medicare. Such programs -- called all-payor systems -- can perform the dual role of giving hospitals and health providers a steady and reliable source of income, while at the same time avoiding the trap of an inherently unequal two-class system of health care.

This is the kind of reform that is fair and truly necessary. It will control health care inflation the right way. And it deserves your support, especially at the state level. Indeed, I want to emphasize that state-designed systems, tailored to fit

local health care needs, are far preferable to a federally-mandated program. I can tell you that from personal experience with the new DRG approach. Here in Pennsylvania our unusually high percentage of senior citizens means we have some very special health care needs. At the time we were writing the DRG bill I was well aware of this and offered numerous amendments to the DRG legislation to accommodate the special demands and costs we necessarily incur. Even so, we in Pennsylvania -- and other States as well are going to have problems with uniform national payment levels. The plain fact is that we can't count on a federal program, designed with the one statistical average of our 50 states in mind, to accommodate the unique needs of Pennsylvania or any one state. State-designed and operated "all-payor" systems are by far our best bet.

But I must candidly tell you that if state efforts fail, federal intervention is inevitable. Speaking for myself, I would have to support it in the absence of solutions by the States. The crisis at hand is that great, and the price of inaction too dear, for you or I to allow the health of America's million senior citizens to be sacrificed to greed, inaction or indifference.

Nothing I've talked about today is a cure-all for Medicare, however. There are critically important concerns that still must be addressed in health reform. For example, how do we measure the quality of care a patient actually receives to protect against shortcuts in care? An even more difficult question is how to finance health care for those who suffer from chronic, rather than acute illnesses? Currently, we cover just about all hospital expenses for a cancer patient, but refuse to pay for even the most basic types of care for another person in exactly the same circumstance, who suffers from a degenerative and ultimately fatal illness like Alzheimer's Disease. Who of us here could look a patient in the eye and tell him that he and his family are lucky that he has terminal cancer and not Alzheimer's?

And how are we going to deal with the huge increases in future years in our very old population -- those 75, 80 and older -- who are today living in federally assisted housing projects and whose physical condition will force them into institutions, away from friends and familiar surroundings simply because the necessary services aren't available? Yet this is exactly what will happen unless we set up a system to provide home health and other supportive services in our neighborhood.

Well, I don't have all the answers to all of these concerns, but I and the Senate Special Committee on Aging, are both working hard to find them. For now, you can be sure that we will fight to defeat so-called reforms that simply put a greater financial burden on those who are old and sick through ever greater cost-sharing -- higher deductibles and co-pays. And we will fight

equally hard against those efforts that would create a two-tiered health care system, that leave the burden of combating health costs solely on the backs of hospitals and hospital workers. That's the kind of so-called solution that can make "reform" a dirty word.

Let me, in conclusion, go for a moment beyond Medicare, and cost crises, and all the other immediate problems we face. Through all of the debate over budget deficits and health costs in recent years, there's one element that has been consistently ignored in Washington -- and that's the attitudes, the values, and the human decency that people such as you bring to your work in the service of others. Unfortunately it is all too easy to ignore the contribution that just one individual can make to many, and yet it is in the highest tradition of our country to recognize such individual achievement.

A recent example: In my judgement, that's why Congress just a few week ago, and at long last, enacted Martin Luther King's birthday as a national holiday. He articulated a goal of justice, a vision of freedom, that appealed to the best instincts of our nation. What set Dr. King apart, what he symbolized, is what one American can do to inspire so many. He cared, and awakened a nation to care.

So I'd like to close this morning with a simple suggestion. It's a suggestion that would serve to remind those of us in the Congress and people all across America that caring is indeed the most important element of health care.

I plan, when Congress reconvenes on January 23, 1984, to move to designate a national day of recognition to honor our health care workers. It will be a symbol, a resolution to be voted on by every member of Congress that would remind us all of what's really important. A national health care and hospital worker day is an important way of saying, "Whatever this nation does about our challenges in health care, let's be sure that the 3 and a half million people who give that care are treated with the same honor and respect as we give the loved ones they care for."

Ladies and gentlemen, the coming years will certainly be as much a time of challenge as a time of concern. But these years will also be a time for opportunity and creativity, a time to reshape, for the better, the way we provide health care. It's a time for you to be involved, as never before, in working with those of us in the Congress to make sure that the new arrangements respect not only the patient, but all givers of health care and the essential contributions of you and your co-workers.

This is a great convention. You are a great union. And you perform critically important work. I look forward to continuing

to work with you and your leadership as we meet these challenges. I hope you will put your energies as well behind the efforts we need to better health care for all Americans. Most of all, we need your help in reminding the American people that we can't solve our health care problems by simply cutting out the caring.

Henry and friends, thank you for this opportunity to join you today.