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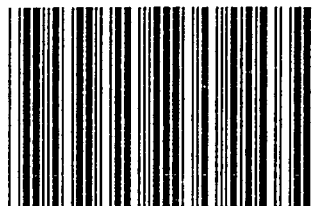
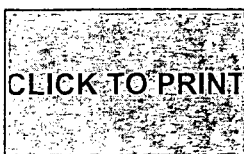
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(2) Subject* **Montana Society of Internal Medicine**

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BAUCUS

SENATOR MAX BAUCUS

MONTANA SOCIETY OF INTERNAL MEDICINE

SEPTEMBER 14, 1985 -- BUTTE, MONTANA

INTRODUCTION -- HALLEY'S COMET

THANKS FOR INVITING ME HERE TO TALK ABOUT HALLEY'S COMET.

I KNOW YOU ARE ALL DEEPLY CONCERNED ABOUT THE FEDERAL COMET PROGRAM, AND I'M GLAD TO HAVE THIS CHANCE TO BRING YOU THE LATEST NEWS FROM WASHINGTON.

GETTING THE DEFICIT DOWN IS AT THE TOP OF THE SENATE'S AGENDA. BUT I CAN ASSURE YOU THAT THE SENATE IS NOT GOING TO TRY TO SAVE MONEY BY CANCELLING HALLEY'S COMET.

WE ARE CUTTING BACK ON GOVERNMENT SPENDING WHEREVER POSSIBLE, THOUGH, SO WE WON'T BE ABLE TO

BRING THE COMET AS CLOSE AS SOME BIG SPENDERS HAVE PROPOSED. FORTY MILLION MILES IS THE BEST WE'LL BE ABLE TO DO. BUT THAT'S CLOSE ENOUGH -- WE CAN ALL GET A GOOD LOOK AT IT AT THAT DISTANCE.

I ALSO WANT TO GIVE YOU MY PERSONAL ASSURANCE THAT WE ARE GOING TO BRING HALLEY'S COMET IN ON TIME AND UNDER BUDGET! WE ARRANGED FOR HCFA, THE HEALTH CARE FINANCING ADMINISTRATION -- YOU KNOW, THE FOLKS THAT PROCESS ALL YOUR MEDICARE CLAIMS -- TO TAKE CARE OF ALL THE ADMINISTRATIVE DETAILS. SO YOU'VE GOT NOTHING TO WORRY ABOUT.

MEDICARE BUDGET ACTION

NEXT WEEK, THE SENATE FINANCE COMMITTEE WILL BE MEETING TO FIGURE OUT HOW TO MEET THE MEDICARE BUDGET TARGETS THAT WE SET LAST SUMMER. WE ARE SUPPOSED TO CUT SPENDING IN PROGRAMS WITHIN THE COMMITTEE'S JURISDICTION BY ABOUT \$22 BILLION. THE MAJOR PARTS OF THAT ARE:

--\$11 BILLION IN SAVINGS FROM MEDICARE;

--\$450 MILLION IN MEDICAID;

--AND OVER \$8 BILLION BY TERMINATING
GENERAL REVENUE SHARING AFTER NEXT YEAR.

UNFORTUNATELY, FEDERAL HEALTH PROGRAM
DECISIONS ARE NOW BEING DRIVEN BY THE NECESSITY TO
REDUCE FEDERAL DEFICITS -- NOT BY HEALTH POLICY
PRIORITIES.

MANY OF THE OPTIONS WE WILL CONSIDER NEXT
WEEK WILL NOT BE VERY POPULAR WITH HEALTH CARE
PROVIDERS OR WITH THEIR PATIENTS... EXCEPT PERHAPS
IN COMPARISON WITH THE ALTERNATIVES THAT ARE
AVAILABLE.

THERE ARE A COUPLE OF "BIG TICKET" ITEMS
THAT WILL PROBABLY PROVIDE MOST OF THE MEDICARE
SAVINGS THIS YEAR.

HOSPITALS

THE FIRST IS A FREEZE -- OR NEAR-FREEZE --
ON MEDICARE PAYMENTS TO HOSPITALS.

THE REAGAN ADMINISTRATION HAS ALREADY ISSUED REGULATIONS THAT WOULD KEEP HOSPITAL DRG'S AT THIS YEAR'S LEVELS FOR ANOTHER FISCAL YEAR. THAT WOULD SAVE ALMOST \$6 1/2 BILLION OVER THREE YEARS.

IF WE HAD THE MONEY TO SPEND, I WOULD SUPPORT THE RECOMMENDATIONS OF THE PROSPECTIVE PAYMENT ASSESSMENT COMMISSION -- GIVING HOSPITALS SOMETHING CLOSER TO A MEDICAL COST INFLATION ADJUSTMENT, ABOUT 3 OR 4 PERCENT. CUTTING BACK THREATENS OUR ABILITY TO PROVIDE ACCESS TO QUALITY SERVICES.

UNFORTUNATELY, THAT MONEY ISN'T AVAILABLE. WE WILL PROBABLY END UP MATCHING THE HOUSE BUDGET, SAVING OVER \$5 BILLION BY LIMITING HOSPITALS TO A 1% INCREASE NEXT YEAR.

A RELATED ISSUE IS THE TRANSITION TOWARD NATIONAL DRG RATES FOR HOSPITALS. THE HOUSE HAS PROPOSED TO DELAY THAT TRANSITION, SO HIGH-COST HOSPITALS WON'T FEEL THE BUDGET CUT AS MUCH. I WILL OPPOSE THAT PROPOSAL.

THE REAL MOTIVE FOR PROPOSING A DELAY IS TO SPEND MORE MONEY ON HOSPITALS IN NORTHEAST STATES, AT THE EXPENSE OF MONTANA AND OTHER STATES IN THE WEST AND SOUTH.

HISTORICALLY, OUR HEALTH CARE COSTS HAVE BEEN LOWER. AS WE MOVE TO NATIONAL HOSPITAL RATES THOSE HIGH-COST HOSPITALS HAVE TO TIGHTEN THEIR BELTS AND GET THEIR COSTS DOWN.

IF WE AGREE TO SLOW THE TRANSITION NOW, WE WILL NEVER BE ABLE TO GET IT STARTED AGAIN, AND THE MEDICARE PROSPECTIVE PAYMENT SYSTEM WILL FAIL.

PHYSICIANS

ONE OF THE OTHER BIG-TICKET ITEMS, AS YOU KNOW, IS THE PROPOSAL TO EXTEND THE FREEZE ON PHYSICIAN REIMBURSEMENT UNDER MEDICARE. THE ADMINISTRATION PROPOSAL, TO CONTINUE THE FREEZE ON ALL PHYSICIANS, WOULD SAVE OVER \$1 BILLION OVER THREE YEARS.

I EXPECT THE FINANCE COMMITTEE TO START BY CONSIDERING A PROPOSAL TO CONTINUE THE FREEZE ONLY

ON NON-PARTICIPATING PHYSICIANS -- THOSE DOCTORS WHO DO NOT AGREE TO ACCEPT ASSIGNMENT FOR ALL THEIR MEDICARE CLAIMS NEXT YEAR.

THERE ARE SEVERAL DIFFERENT PROPOSALS PENDING TO DETERMINE HOW TO REIMBURSE PHYSICIANS NEXT YEAR AND THE YEAR AFTER.

THE BASIC OPERATING PRINCIPLE IS TO ENCOURAGE PHYSICIANS TO SIGN UP TO ACCEPT ASSIGNMENT ON THEIR MEDICARE CLAIMS, AND TO HONOR OUR COMMITMENT TO REWARD THOSE PHYSICIANS WHO HAVE ALREADY SIGNED UP.

I HAVE TALKED WITH SEVERAL MONTANA PHYSICIANS ABOUT THIS ISSUE. AND I HAVE RECEIVED LETTERS FROM MANY MORE. I KNOW THAT MONTANA DOCTORS OFTEN CHARGE LESS FOR THEIR SERVICES THAN DOCTORS IN OTHER AREAS OF THE COUNTRY. AND I ALSO UNDERSTAND THAT MOST DOCTORS RECEIVE MUCH LOWER PAYMENTS THAN THE SPECIALISTS, ESPECIALLY SURGEONS.

I DON'T WANT TO GET YOUR HOPES UP FOR ANY FUNDAMENTAL CHANGES IN MEDICARE PHYSICIAN REIMBURSEMENT THIS YEAR, BECAUSE THERE WON'T BE ANY.

THE BUDGET DEFICIT IS DRIVING HEALTH POLICY, AND CONGRESS IS JUST FREEZING AND CUTTING BACK WHEREVER IT CAN.

BUT WORK IS BEING DONE TO DEVELOP ALTERNATIVE REIMBURSEMENT SYSTEMS, SUCH AS A RELATIVE VALUE SCALE SYSTEM. I SUPPORT THOSE EFFORTS, AND I WOULD APPRECIATE HAVING YOUR THOUGHTS AND SUGGESTIONS IN THE MONTHS AHEAD.

HEALTH CONCLUSION:

HOSPITAL RATES AND THE PHYSICIAN FEE FREEZE ARE THE TWO "BIG TICKET" ITEMS IN THIS YEAR'S BUDGET. WE WILL ALSO BE CUTTING BACK ON MEDICARE SUBSIDIES FOR MEDICAL EDUCATION, AND CONSIDERING PROPOSALS TO MODIFY OTHER ASPECTS OF MEDICARE AND MEDICAID.

HOWEVER, HEALTH BUDGET PROPOSALS WILL NOT HOLD THE ATTENTION OF THE CONGRESS FOR LONG. TAX REFORM AND THE TRADE DEFICIT HAVE PUSHED DEFICIT REDUCTION ONTO THE BACK BURNER IN WASHINGTON, D.C.

TAX REFORM

THE PRESIDENT ANNOUNCED HIS TAX REFORM PROPOSAL WITH GREAT FANFARE IN LATE MAY. HE ASKED US IN THE CONGRESS TO ACT RAPIDLY.

THE HOUSE OF REPRESENTATIVES -- WHICH WILL ACT FIRST -- HAS COMPLETED ITS HEARINGS ON THE PRESIDENT'S PROPOSAL. CHAIRMAN ROSTENKOWSKI HOPES

TO BEGIN "MARKUP", -- THE ACTUAL WRITING OF THE BILL -- LATER THIS MONTH.

THE SENATE FINANCE COMMITTEE, ON WHICH I SERVE, HAS NEARLY COMPLETED ITS HEARINGS.

GENERAL COMMENTS: GOALS OF FAIRNESS & SIMPLICITY

WE CAN ALL AGREE THAT THE PRESENT TAX CODE LEAVES A GREAT DEAL TO BE DESIRED.

IT IS TOO COMPLICATED. IT IS OVER 2,000 PAGES LONG -- MORE THAN THE BIBLE, THE TALMUD, AND THE KORAN COMBINED. THE REGULATIONS TO IMPLEMENT THE CODE ARE FIVE TIMES LONGER.

LAST YEAR 44 PERCENT OF ALL TAXPAYERS TURNED TO OTHERS TO FILL OUT THEIR RETURNS!

AND WITH COMPLEXITY COMES A PERCEPTION OF UNFAIRNESS. WHO AMONG US DOES NOT WONDER IF "THE OTHER GUY" IS GETTING AWAY WITH SOMETHING?

WHO AMONG US IS NOT OUTRAGED WHEN HE HEARS OF MULTIMILLIONAIRES AND LARGE COPORATIONS WHO MANAGE TO PAY NO TAX AT ALL?

YES; I BELIEVE WE CAN ALL AGREE THAT WE'D LIKE THE TAX CODE MADE BOTH FAIRER AND SIMPLER.

BUT HOW SHOULD FAIRNESS BE DEFINED? IS ELIMINATING THE DEDUCTION FOR STATE AND LOCAL TAXES FAIR? IS TAXING THE FIRST \$300 OF HEALTH INSURANCE FAIR?

IN ADDITION, FAIRNESS AND SIMPLICITY SOMETIMES CONFLICT. THE SIMPLEST TAX WOULD IGNORE ALL DIFFERENCES AMONG PEOPLE OR INDUSTRIES -- BUT ALL OF US WOULD REJECT IT AS UNFAIR.

WE WANT TO FIND A TAX CODE THAT MEETS CONFLICTING GOALS.

ECONOMIC GROWTH & COMPETITIVENESS

A THIRD GOAL MUST BE EMPHASIZED: ECONOMIC GROWTH AND COMPETITIVENESS.

OUR TRADE DEFICIT IS GROWING BY LEAPS AND BOUNDS. PRODUCTIVITY GROWTH IS HISTORICALLY LOW AND LOW IN COMPARISON TO OTHER NATIONS.

ALL OF US WANT ECONOMIC GROWTH TO CONTINUE. WE WANT A TAX SYSTEM THAT ENCOURAGES GROWTH.

WE ALSO WANT A TAX SYSTEM THAT ASSISTS -- OR AT LEAST DOES NOT HARM -- OUR INTERNATIONAL COMPETITIVENESS.

I HAVE SPENT A GREAT DEAL OF MY TIME DURING THE FINANCE COMMITTEE HEARINGS ASKING PROBING QUESTIONS ABOUT THE IMPACT OF VARIOUS TAX PROVISIONS ON GROWTH, ON INVESTMENT, ON PRODUCTIVITY, ON COMPETITIVENESS IN GENERAL.

I HAVE NOT YET BEEN CONVINCED THAT THE PRESIDENT'S PLAN IS THE BEST ANSWER TO THE CHALLENGES OUR NATION FACES.

OUTLOOK

AS I NOTED BEFORE, THE HOUSE HAS COMPLETED ITS HEARINGS. THE SENATE WILL COMPLETE THE FIRST

ROUND OF HEARINGS -- HEARINGS ON THE PRESIDENT'S PROPOSAL -- BY THE SECOND WEEK OF OCTOBER. WE WILL THEN AWAIT ACTION BY THE HOUSE. AFTER THE HOUSE ACTS, WE WILL HOLD ANOTHER WEEK OF HEARINGS ON THE HOUSE BILL BEFORE BEGINNING TO WRITE A BILL IN THE SENATE.

FRANKLY, I HAVE ALWAYS THOUGHT IT UNLIKELY A BILL WOULD MAKE IT THROUGH BOTH THE HOUSE AND THE SENATE IN 1985. JUST A FEW DAYS AGO, REPUBLICAN LEADERS POINTED THAT OUT TO THE PRESIDENT. THE HOUSE MAY WELL ACT THIS YEAR -- BUT THE SENATE WILL NOT ACT UNTIL 1986.

WHEN WE FINALLY DO ACT I HOPE WE WILL THEN STAND BACK FOR A WHILE. INDIVIDUALS, BUSINESSES, AND THE NATION COULD USE A BREAK FROM ANNUAL TINKERINGS WITH THE TAX CODE.

CONCLUSION

AGAIN, I WANT TO THANK YOU FOR INVITING ME TO SPEAK TODAY. I ALWAYS APPRECIATE HAVING A CHANCE TO COME BACK TO BUTTE. I HOPE YOU WILL ALL

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CONTINUE TO KEEP IN TOUCH WITH ME ABOUT ISSUES
THAT CONCERN YOU, AS WE TRY TO MAKE PROGRESS IN
WASHINGTON. I THINK WE STILL HAVE SOME TIME LEFT
NOW, IF ANYONE HAS ANY QUESTIONS.