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# M E M O R A N D U M

TO: Carol Rasco and Laura Tyson September 8, 1995

FROM: Chris Jennings

RE: **Potential Academic Center Op Ed Piece.**

In response to the President's desire to do outreach to the academic health center community and to request their "editorial" support, we have drafted the attached Op Ed piece. I would appreciate your reviewing and making any edits or suggestions.

We've attempted to construct this draft to enable individual authors to personalize it to their own situations and experiences. We will suggest to Marilyn Yager that she provide this draft to likely supporters of the President and combine it with state and local impact analyses we have already produced.

Hope you find this to be helpful. Please call with any questions. Thanks.

**DRAFT EDITORIAL**

When one of our family members is ill, what do we want for them? The answer is simple: the best medical care possible, provided by highly trained professionals, and supported by state-of-the-art research. And who educates those professionals, conducts that research, and provides care and service in communities like _____? It is academic health centers and teaching hospitals [like _____]. But today, the unique mission of these institutions is at risk. Proposed Congressional cuts in Medicare and Medicaid, coupled with changes in the private market, threaten the funding that academic health centers need to continue to serve as the cornerstone of our nation's health care system.

**The Congressional Budget Proposal**

Let's look first at the federal budget. The Congress proposes reductions of $452 billion in Medicare and Medicaid over the next seven years--$270 billion in Medicare, and $182 billion in Medicaid. Those are staggering numbers--four times larger than anything ever enacted. But to understand their true impact, it is useful to look at what those cuts will mean for the growth in spending per person in each of these programs. Private health insurance spending per person will increase by about 7.1 percent annually over the next seven years, according to the Congressional Budget Office (CBO.) The Congressional Medicare cuts would bring Medicare spending per beneficiary down to a growth rate of about 4.9 percent annually--or 30 percent below the private sector growth in spending per person over the next

seven years. The Congressional Medicaid cuts are even worse--bringing the Medicaid growth rate down to about 1.4 percent per beneficiary annually--or 80 percent below the private sector growth rate.

The result? The purchasing power of these two essential health programs will lag significantly behind the private market each year for the next seven years. The beneficiaries and their families will pay more and, most likely, get less. Specifically, each Medicare beneficiary will pay about $2,825 more ($5,650 per couple) over the next seven years, assuming that 50 percent of the Medicare cuts comes from beneficiaries [Replace with state-specific data for area in which provider is located.] And, the federal Medicaid cut would force states to cut services, reduce provider payments, and eliminate coverage for about 8.8 million children, elderly, and Americans with disabilities in the year 2002, alone.

**Impact on academic health centers**

What does all this mean for academic health centers and teaching hospitals like _____? We intend to continue to take a leadership role in research and the education of professionals needed for the future. [Insert local example of some innovations?] We are also striving to remain competitive as the health system changes and becomes more cost-conscious. [Insert example of cost cutting]

But the fact remains that it costs more for us to provide care <u>because</u> our education and research mission adds to our patient care costs. Medicare has historically been a major

source of financing for medical education. Medicaid has served as a payer for poor and sick populations who would otherwise strain hospitals' ability to both provide quality health care and education. In addition, we provide a substantial amount of indigent care for individuals who do not have health insurance. [Insert local indigent care $ or #.)

The reality is that while private payers have borne some of these costs, they are now seeking the lowest cost services for their enrollees. In the increasingly competitive health market, they are not likely to pay the extra costs of facilities that also provide education and research.

The support of Medicare and Medicaid for the unique mission of academic health centers will be reduced dramatically by the Medicare and Medicaid cuts proposed by Congress. Combined with the private sector cost-cutting pressures, the magnitude of the cuts means that academic health centers will face great pressures. This lessens the ability of academic health centers to train professionals, conduct research leading to future breakthroughs, and absorb the costs of providing care to the rising number of uninsured Americans.

Will the results be immediate shutdowns, or quick, visible declines in the quality of care? Probably not: slow, steady disinvestment in education and research are never very visible at first. But they have delayed effects that may be even more debilitating in the long run--because today's education and research directly affects tomorrow's care. When your family--and your children's families--need health care ten, twenty, or thirty

years from now, do you want the health professionals then in practice to be the product of excellence in education or of a slowly defunded education and research system?

[provider] is committed to maintaining and enhancing the quality of our education, research, and service. That is our core mission--and reflects the needs and aspirations of our community and our patients. Deep budgetary reductions that prevent us from meeting your needs--now and in the future--must be opposed.

The President has made clear that he strongly opposes the scope and magnitude of the cuts being proposed by the Congressional majority. Although his plan does achieve savings from both Medicare and Medicaid, they are about one-third the total currently being considered by the Congress.

We agree with the President and the Congress that we should move forward to balancing the federal budget. But we also support the President's contention that it is unnecessary to decimate the health care delivery system and the patients it serves. We all must do our part in addressing the fiscal needs that challenge this nation. We look forward to working with the President and the Congress to insure that goal is not met at the expense of the vital research and training we have all come to rely on and expect.

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# DEPARTMENT OF HEALTH AND HUMAN SERVICES
## ASSISTANT SECRETARY FOR PLANNING AND EVALUATION
### OFFICE OF HEALTH POLICY

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Date:

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Number of Pages (Including Cover): _____

Comments: Draft response for Rasco to Dan Rich and Dr Stolzenberg

DRAFT RESPONSE: September 13, 1995

Jerry Stolzenberg, M.D., F.A.C.P.
1 Grove Isle Drive, Apt. 1010
Miami, Florida 33133

Dear Dr. Stolzenberg:

Nan Rich recently forwarded to me your April 1 letter on health care reform. I appreciate your taking the time to present your views, and apologize for the delay in responding.

Your points about assuring that we enhance value by reorienting many of today's complex administrative functions in health care today are well taken. The Administration has pursued a number of paperwork reduction and data collection initiatives, such as increased use of electronic billing in Medicare; and we are refocusing Peer Review Organization contracts more on providers who may be providing substandard care. In addition, we have begun an initiative, working with our private sector and state partners (including the provider community), to increase the usefulness of electronic health information. Our goal is voluntary evolution to a health information system in which data collected once can be used for multiple purposes (e.g., as you suggest, for both billing and outcome analysis), within a framework of privacy protections.

However, as your letter points out, there is more to do to imrove administration, and we will remain focused on this issue.

The President shares your view that all Americans should have the security of affordable health care coverage. While the Congress rejected the President's proposal last year, we will continue to pursue that goal through a series of incremental reforms this year. In addition, we are determined to preserve the Medicaid and Medicare programs which have been targeted for deep budgetary reductions by the Republican Congress, and hope that you will support us in that effort.

Again, I appreciate your thoughtful comments, and hope that you will keep Nan Rich and I informed if you have any further suggestions on these issues.

Sincerely,

Carol Rasco

cc: Nan H. Rich
2748 Pinehurst Drive
Fort Lauderdale, FL 33332

Nan H. Rich
2748 Pinehurst Drive, Fort Lauderdale, FL 33332

AUG 17 1995
8-13-95

Dear Carol,

I was going through some papers and came across this letter a friend of mine had written and asked me to send to you.

He had been distressed about the lack of medical input into the administration's health care plan.

I know this is very after the fact, but I decided to send it anyway on the chance that you might want to solicit input at some time from someone like Jerry who is generally supportive of this administration.

Hope all is well with you and the family. Things have been busy here. The first had our second grandchild.

JERRY STOLZENBERG M.D., F.A.C.R.
1 GROVE ISLE DRIVE
APT #1010
MIAMI, FLORIDA 33133
(305) 858-8071

April 1, 1995

Carol Rasco,
Domestic Policy Advisor
The White House
Washington, D.C.

Dear ...

Robert was born July 7th and joined his 2½ year old brother, Daniel!

Things are looking great for HIPPY in Florida. Looks like will be receiving a large Americorps grant which will help Florida establish a regional training and technical assistance center at the University of South Florida, with Mary Lindsey as State coordinator. You remember our goal of regional centers like we have in Arkansas - I think it's finally going to happen!

As things begin to move on the re-election front, you might want to pursue our discussion of you coming down to talk to various types of groups. If I can be of help in any way, please feel free to call.

My best to you -

Fondly,

Ken

**JERRY STOLZENBERG M.D., F.A.C.R.**
**1 GROVE ISLE DRIVE**
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April 1, 1995

Carol Rasco,
Domestic Policy Advisor
The White House
Washington, D.C.

Dear Ms. Rasco,

Nan Rich and I were talking the other day, and she suggested that I consider writing to you about a subject dear to you and Mrs. Clinton.

The success of the administration and the legacy left to future generations would certainly relate to the administration's solving the problem of the wellness of the health care system as it pertains both to finances and the delivery of care. I have been a physician for over thirty years and am an academician, clinician, consultant to government, and peer review organizations. You might consider the following when again tackling this burdensome conundrum of health care delivery.

**The costs of the bureaucracy far exceed the value received.** It has been stated that if all regulations disappeared and fraud was not punished, we would see a significant overall decrease in health costs with little deterioration in health care. The mountains of paper work being generated and the number of personnel involved with quality assurance and managed care do little to improve health care, but in fact make nonproductive busy work for the very people entrusted to deliver this care while enriching a whole new level of *healthnocrats*. Highly paid consultants and whole cottage industries not directly related to patient care are the hallmark of today's practice of medicine. A new source of pride is the perfect paper work rather than the successfully treated patient. In spite of lip service about the quality of care, the reality is that the bottom line always comes before patient care, accompanied by a loss of morale and yes, dedication of health care workers.

Claude Pepper, who was a patient of mine, had said to me that the intent of Medicare was glorious but unfortunately the bureaucracy, waste and fraud that accompanied it was tolerated to justify the goal of quality health care for the aged. In this case, the end may not have justified the means.

I suggest the possibility that if the bureaucracy which spawned this nightmare were to disappear, and we were to treat the professionals as responsible members of our society who were responsive to the existing laws concerning fraud and incompetence, there would be enormous savings. This would require spot checking of private practices and hospitals by trained

professionals and fair but swift disbursement of justice, which would include, removal from the Medicare program, fine, loss of license and imprisonment. The Physician Review Organization (PRO) has found the "sentinel" effect of potential punishment to be successful with physicians.

*All* citizens should have the availability of ***basic*** medical care which, once defined, would be paid for by a single agency financed from tax revenues. This would be accomplished by the use of the existing coding for billing by providers. This method would eliminate burdensome paperwork and costly collection systems. To keep patient overutilization down, a minimum fee for each visit could be charged to the patient by the health provider. Monitoring for excessive or inappropriate utilization and billing can be done by using existing database and software programs with random audits and heavy penalties for flagrant abuse. Outcome data is an additional method of monitoring the care given. Hospital utilization review committees should have and must accept the responsibility of ensuring that the patients entrusted to them are receiving a reasonable standard of care at acceptable cost. Documented abuses will be prosecuted by our existing judicial system in a timely manner. The minimal abuse that would go undiscovered would be far less costly than the existing system. After basic care, any additional coverage could be obtained through the private insurance sector. Basic care would have to be defined and reviewed yearly by a coalition of individuals consisting of physicians, ethicists, economists, and citizens representing the elderly, children, disadvantaged and middle class.

The success of this new health care program would also depend upon solving the problem of **medical malpractice**. This would necessitate the redefinition of malpractice to separate a bad result from incompetence with commensurate realistic financial awards to patients and penalties to physicians. The evaluation of malpractice must be taken out of our usual system of justice and given to a panel of consisting of an attorney, judge and physician.

A national "health czar" who would be empowered to cross existing agency turfs could, with the aid of a small group of advisors, begin the necessary surgery to reduce and eliminate the engorged bureaucracy and implement the above recommendations. A new lean health care agency, possibly arising from a drastically altered Medicare Agency, properly using existing data would be responsible for monitoring our health care. This approach, because it is simplistic, has a reasonable chance of success if you were willing to suffer the slings and arrows of some outraged constituents in the short term but win the good health of a grateful American public in the long term.

Yours truly,

J Stolzenberg M.D.

Jerry Stolzenberg, M.D.

Chairman of Radiology, Miami Heart Institute

Clinical Professor, University of Miami, School of Medicine