FILES OF JENNIFER KLEIN

Box 2 -

AARP Interview
Academic Health Ctrs.
ACIR Report
Advanced Practice Nursing Reimbursement
Anti Trust
Medicaid & AIDs
Any Willing Provider / Freedom of Choice
AMA
ANA
AHA
Baseline
Bone Disease
1997 Budget
Budget Letter
Budget Remarks
Breaux - Chaffee
CBO Budget
Impact on Children
Democratic Kids Health Initiative
Children's Hospitals
CLIA
Cost Shifting
Counties + Cities
Daschle v. POTUS Plan
Dartmouth Uninsured
Debt limit CR
Health Law & Newsletters
Immigration Pool Medicaid
Individual Health Care Spending
IRA
Kassebaum Medicaid
Katie Beckett
Labor - HHS Appropriations
Long Term Care
Managed Care
Managed Care Problem
MSA Studies / OP Eds
MSA, MAN Care Choices
Medical Records Confidentiality
Health Care for People w/ Disabilities
DNC
Drug & Alcohol
Drug Prices
Economic Briefing on Medicaid
EITC
EPSDT
Entitlement Drafting
Medicare Eligibility
Fail Safe
FEHBP
FEHBP - Pharmacy Copays
Family Physicians
Fraud and Abuse - Operation Restore Trust
Diabetes
Diabled
Fraud & Abuse
Fraud - Labor
Group Issues
HSA Corent Legislation
Health Care Vision

ENCLOSURES FILED OVERSIZE ATTACHMENTS 10855

NARA 8292

THE WHITE HOUSE

Office of the Press Secretary
(Aboard The Bus On The Road To the 21st Century)

Internal Transcript September 18, 1996

INTERVIEW OF THE PRESIDENT
BY ELLIOTT CARLSON OF AARP

In The President's Limousine
Grand Canyon, Arizona

THE PRESIDENT: -- I really liked it.

Q It was a great treat and I haven't had more fun in a long time.

THE PRESIDENT: Most of the deepest part of the Canyon is only 5 million years old.

Q I was surprised you didn't take advantage of the donkeys, the symbolism -- a little ride around --

THE PRESIDENT: I wish I had.

Q But anyways, I want to follow up on some of the things that you've been saying on the campaign trail about Medicare. And one of your themes has been that we can fix it without destroying it, but it does need savings. I was wondering if you could be a little more specific and talk about where you see the savings coming from in terms of addressing the short-term and long-term problem of Medicare.

THE PRESIDENT: First of all, if by long-term we mean longer than 10 years, neither the Republican plan or mine purported to go much beyond 10 years. A lot of their savings in the bill that I vetoed, the $270 billion savings, were savings that were basically being diverted to cover the rest of their budget including the tax cut. So the savings we agreed on, roughly $124 billion below projected savings, would essentially be premised on cuts in various provider services and the idea that is now being borne out that the diversification of the health care market, including more managed care, is going to bring the overall rate of inflation down lower than we had projected.

And I think that cutting back on some of the provider services, of the costs of them, and doing other kind of traditional things that we always do in saving Medicare will buy us 10 years. Now, in terms of dealing with the baby boom issue and questions of whether the premiums of for Part B should be means tested, that's a concept that I never did project, I just said I thought it ought to be done in the context of medical reform and providing some other services to seniors -- like more options for in-home care and other non-institutional options, rather than just being done as part of a budget deal.

And so I think what I'd like to do, if we can get together the kind of bipartisan commission that I think we should marshal to take the long view in Social Security, we can also take the long view in Medicare. I just don't want to see Medicare being used, what I think is a perfectly manageable financial problem that we can work our way through fairly easily being used as a pretext, in effect, to break Medicare up and turn it into a two-class system where the oldest and the poorest and the most ill of our seniors wind up getting the short end of the stick.

I think Medicare, on balance, has served us very well. It's no accident that we have the highest life expectancy of any group of seniors in the world.

Q This $124 billion that you propose to get in savings from Medicare, will that come all out of providers, or do you see some higher deductibles and co-insurance for seniors as well?

THE PRESIDENT: Well, under our plan we can get it all out of, in effect, managing the system without having an increase in the premiums -- above -- except we presume an increase in premiums of the inflation rate every year.

Q That would be the Part B?

THE PRESIDENT: For Part B, yes.

Q But the co-insurance and deductibles are part of Part A where the problem is --

THE PRESIDENT: That's correct.

Q Do you see any increases there?

THE PRESIDENT: We can achieve the savings with just the budget I put in, of $124 billion. And the Congress -- Congressional Budget Office agrees with that. If we --

Q Where would that money come from, that $124 billion?

THE PRESIDENT: Well, it's all itemized in the budget. It's all mostly in various different changes in the way we deal with providers. But -- and I don't think there are any significant co-insurance or deductible changes. I don't believe there are any that amount to much in there.

But if we did that and we bought ourselves 10 years, then we could take a look at the real demographic problem, which is what happens when the baby boomers retire and we continue to enhance life expectancy, and we know that as people get older they use more medical care. And we also -- I think you'll see -- what I want to see is more managed care options which allow for us to hold the cost down, but without some of the problems we have in managed care now, which is why I've called for an end to any gag rules on providers in managed care units and why I'm establishing this commission to study health care delivery in the country.

Q Managed care is invoked almost as kind of a totem these days, where you talk to somebody, they think managed care will be this kind of a magic wand. Are you satisfied that managed care can produce all the savings that people are touting that it can produce?

THE PRESIDENT: Well, I don't think anyone knows the answer to that. I think that that's why we took a rather modest estimate of the savings we thought would come from structural changes in the system in my budget. On the other hand, we don't know if these are permanent, but last year the medical inflation rate was the lowest it had been in nearly 25 years, at about 3.9 percent. And this year, the first six months of the year it was running at about 2 percent on an annual basis.

So I do think there is some reason to hope that we can at least have several years when we don't return to the real explosive years of the late '70s and the '80s.

Q Do you have a vision of what Medicare should look like down the road, what the right balance, say, of managed care versus fee for service might be? Obviously, if all of the

system became managed care, then you would perhaps lose some of the savings you get by going to managed care.

THE PRESIDENT: Yes. What I'd like to do is to see it -- on that question, I'd like to see it insofar as we can, if we can afford to do it, I'd like to see it save more or less like it is today where the presumption -- there's a presumption of fee for service, but we make more and more provider groups eligible to compete for Medicare patients' coverage, so that as long as they meet certain quality standards and certain service standards -- so that that gives an extra advantage to the Medicare recipients because, for example, a lot of people now can choose to go into managed care and get a prescription drug benefit that's otherwise not available to them. And that can be a major, major item in the budget of seniors that have regular prescription drug needs.

So I'd kind of like to see us let the system develop as it is now and there will be more managed care alternatives and people will pick and choose among them. But they also ought to have the right to opt out. And, in any case, we should have certain protections for people dealing with managed care, including, as I said, no gag rule.

Q But you don't have a particular quota -- half of it should be managed care, half of it will be --

THE PRESIDENT: No. No, my -- I think our experience is that if you put these options out there, if they make sense to people, they'll take advantage of them. And if they don't, they won't. And I think that if there is no quota, then all the people who are involved in managed care are encouraged to either lower costs or offer extra services for the Medicare premiums they get, which is what I think we should want people to do.

Q What is your thinking on Part B? You vetoed the budget bill really almost entirely on the issue of the portion of beneficiaries paying 30 percent; now it's at 25 percent. Do you think it should stay at 25 percent, or should it -- I think the index --

THE PRESIDENT: Should it be means-tested?

Q I think the index for the Part B clicks in in 1999, I believe. So if you index Part B, the portion beneficiaries pay might actually go down if the cost of living goes down.

THE PRESIDENT: Well, I think what we'll have to do -- obviously, we'll have to do what's necessary to cover the cost in the fairest possible way. But what I think we ought to do with Part B is to -- well, first, let me say again -- I know this sounds like a broken record -- but the first thing we ought to do is to institute the savings that the Congress and I have agreed on that will put 10 more years on the Medicare trust fund, so that we'll get rid of this fear that Medicare is somehow deeply in danger. We need to fix that first and foremost. Now, after that is done, we can look at what ought to be done with Part B.

What I proposed in the health care reform act was increasing premiums for people with incomes over $100,000, but only as a condition of providing alternatives to nursing home care and providing some other options to seniors so that we can enrich and broaden the health care options in ways that I still believe over the long run will save money.

And I guess one other thing I wanted to point out parenthetically is that in my budget, in this balanced budget that is paid for, we include a respite care benefit for families who are caring for family members with Alzheimer's, as well as

regular mammogram treatment under Medicare, and more incentives for Medicaid to offer alternatives to institutional care.

I think that's also a big part of diversifying the system, doing preventive care, encouraging people to take the options that are best for them. And I think all these things in the end will also work to slow the rate of inflation.

Q Getting back to the Part B, 25 percent, there seems to be kind of a principle here that --

THE PRESIDENT: Well, it was intended to be 25 percent. It was intended to be 25 percent. And the reason Congress went in the early '90s to a dollar figure was not to take it above 25 percent, but because inflation was so great that it was felt that the contribution of 25 percent would be too costly to seniors. Then what happened was we had a year or two when 25 percent wasn't too bad -- I mean, when inflation wasn't too bad, it was less than it has been, so that if we continued on the upward schedule, we would have just automatically gone to 30 percent.

And I felt that it wasn't the right policy, again in the absence of some overall reform, to deny the beneficiaries of Medicare any of the benefits of the lower inflation rate, and in effect, to solve most of the Part B problem by just staying with a system that was supposed to elapse last year anyway, and it was put in, in effect, to protect the beneficiaries, not to charge them more. So that's why I made the decision that I did on that.

Q Do you think you should more or less stay at 25 percent then, or should it fluctuate up or down?

THE PRESIDENT: Well, I think that we should assume that it's going to be at 25 percent and it will grow with inflation. If there is another emergency in the future, or if there is some sort of agreement regarding providing some extra options as I proposed in the health reform act in health care, then we might ought to look at whether there should be some sort of means testing at the upper income, as I proposed before.

But I think as a rule of thumb we ought to stay at 25 percent. It served us pretty well and I think we can manage the system as well there as we can anywhere.

Q When we interviewed you four years ago one of your points was that the Part B premium ought to be income-related -- $125,000 for couples and $75,000 for singles. How does that figure in your thinking now?

THE PRESIDENT: I said that I felt that way if we were going to have overall comprehensive health care reform, which would bring other benefits to the population including the upper income beneficiaries of Medicare. And I'm still not opposed to that in concept. But if we're going to do that, it ought to be part of a health care reform that extends coverage.

Q So, in isolation, you wouldn't look upon income relating as a way to go to get extra revenue then?

THE PRESIDENT: Not just to balance the budget. If we were providing some extra services and it was part of comprehensive plan to add life to the Medicare trust fund and it had a broad-based support among seniors, then it's something I wouldn't rule out on the front end. But I don't believe that it ought to be done just primarily as a budget balancing tactic.

Q I know your budget plan calls for balancing the budget by the year 2002. Some people think you can't really do that without massive entitlement reform. They look upon entitlements as being out of control, runaway costs. What is

your thinking on what kind of constraints or changes need to be in the overall entitlement area to balance the budget?

THE PRESIDENT: Well, first of all, there is -- all you have to do to balance the budget by 2002 is to do what I proposed to do with Medicare and Medicaid and enact those savings, which are the biggest savings ever proposed by a President, although much smaller than the Congress tried to pass.

Now, beyond 2002, as more and more people retire and more and more people access health care, the demographics change again. So that's why I have said repeatedly that I think we have to look at a commission like we had in 1983, but one that would take a very long view for Social Security and Medicare. If there will have to be demographic changes made, changes because of the demography of the population -- more older people, fewer younger ones -- it's better to take a look at it in a non-political context, in a bipartisan context, with the same spirit that animated the '83 reforms because the system -- if you go back to Social Security, Social Security is stable until well into the next century.

We have more than 20 years left before the Social Security trust fund will be in arrears. But if we begin to think about it and take modest action now, the smallest actions taken now can have huge consequences 20 years from now to stabilize the system. And I'm sorry that the advisory commission itself was unable to reach accord on what kinds of changes ought to be made, and I think we will, therefore, have no choice but to do what we did back in '83 and just reconstitute a group to take a look at it.

Q Now, the advisory committee hasn't released its report yet, but it's been known to favor various types of privatization, from very modest to somewhat advanced privatization. I guess the -- version would be just some modest investments in the stock market. What is your view on the wisdom of partially privatizing Social Security from the minimum to the maximum?

THE PRESIDENT: Well, my concern is, on the maximum side, is that you would no longer have "social" security. You know, it would be, if you privatize the whole thing' I'm very much afraid that a lot of individuals would not be protected. And even some people that have a lot of financial expertise are libel to make mistakes in their investments and wind up in trouble. And the idea that there will be a safety net for old age in America could be eviscerated. So I'm basically not friendly toward that option.

On the question of whether we should take a portion of the Social Security trust fund and make it available for other investments for the benefit of the beneficiaries as a whole, the theory of that is that ever since 19 -- since before the end of World War II, the stock market has always grown on a seven-year average by more than the government investments in Social Security makes. And so that you'd have to go all the way back to the stock market crash of '29 to find a time when over a seven-year period, even if you have -- you take the big drop in '87, if you look over a seven-year period -- and Social Security can always hold investments that long -- the stock market is a better deal than the government securities.

For people who say that, that's something I think is worth a careful study and maybe some sort of experimentation. But even on that I would say I don't feel that I personally have the level of expertise to just say right off that that's a good idea. But I do think that has enough appeal that it ought to be studied. That is if we had some reasonable security that we could raise the marginal return of the Social Security trust fund investments, obviously, that will keep payroll taxes lower and make retirement easier than would otherwise be the case.

Q Do you see any other changes that can be made to Social Security to put it on a long-term financial basis, like raising the retirement age or --

THE PRESIDENT: Well, we've already voted to raise it to 67, and I guess, arguably, you could accelerate that a little bit. I know that our life expectancy is going up markedly and I know that for people who live to be 65, our life expectancy is the highest in the world. But I think we need to really carefully -- we need a commission that was really trusted by the American people before we raise it higher than 67 for the simple reason that -- you know, for me, it wouldn't make any difference. I'm in pretty good health and I'm a lawyer, I could be a teacher. There's lots of things I could do. But a lot of retirees that will now have to work to 67 do work that is far more physically strenuous and live under conditions that are far less healthy and are more difficult for them.

So I think a lot of our baby boomers might be willing to work a little longer, but we all know that sometime not too long after the baby boomers start retiring we'll have the retirement age going up. And I think that before we decide to go beyond 67 we need to look at the composition of work as well as the work force to see what we'd be doing to people if we did that.

Q Another issue that keeps coming up is the long-term status of the COLA. Every so often you hear people say that it over-adjusts for inflation, or over-compensates, or is part of the -- problem. Do you have any particular vision of what would happen to the COLA?

THE PRESIDENT: I think -- what we've done I think is the right policy, which is to treat it as a matter of economics, not a matter of politics. That is someone has to be charged with the duty to decide what the COLA should be based on what the cost of living is, based on -- and today, that someone is the Bureau of Labor Statistics, based on the Consumer Price Index.

There were, as you know, a number of economists which the Senate got together last year to say that the Bureau of Labor Statistics and the Consumer Price Index overstated what the real cost of living increase was to seniors, and that we were building on a base that was inflated. But I don't know that there was ever any national consensus on that or any clear evaluation of the evidence by people.

And so what I think we should do is to examine -- first, I think we ought to stay with the system we have. We've got to have somebody that is recognized as non-political making this call. And then the rest of us ought to follow it. And so when the BLS this year voted to -- said that it was three-tenths of a percent too high, or whatever, that's what we put in our budget and that's what we did, and that's what I think the fair thing is to do.

But I think -- so I think we ought to stay with the system we have. What I would support doing, if there is a legitimate question about this, is having the United States Congress sponsor or organize some sort of a convening of experts to look into the methodology of the CPI and let the Bureau of Labor Statistics be there, let the arguments be made and then let them decide whether the formula is right or the formula is wrong. But it ought to be in the most non-political context possible, because one of the reasons that the poverty rate is -- among seniors has gone down so dramatically is that we've had the COLAs and Medicare and supplemental security income, and I think it would be an error just to stop the COLA process. I think -- or to start playing politics with it.

I feel the same way about that I did the Medicare premium on Part B. It shouldn't be used as a cash cow to make a budget number, particularly a budget number that's got a big tax cut in it.

Q Let me ask you one more major question, and that is, on health care reform and what can be done to insure those that are uninsured. After the rather bumpy reception you got on Congress on your health care reform proposal, is it dead forever? Do you have any way of bringing that back?

THE PRESIDENT: Oh, I think so --

Q How can you insure the uninsured? What are your thoughts on that?

THE PRESIDENT: Well, I think -- well, first of all, let me say I think we have two challenges: we have to insure the uninsured, and we also have to provide some services that aren't typically covered now. Now, I'm very happy, for example -- and then we have to protect people against the abuses that will inevitably flow out of an intensely competitive system -- more competitive system.

So I could just sort of go through that. The Kennedy-Kassebaum bill was very important because it made people eligible to get insurance and not be kicked off because someone in their family or because they changed jobs. It also clarified the tax status of long-term care.

Now, what I think -- I think the next steps are to deal with abuse problems, which is why I was against the 48-hour drive-by hospital -- why I'm against the gag rule, why I want this health care commission set up.

We also need to look at what other services need to be there. That's why I want Medicaid to be able to do more non-institutional financing of health care for seniors and why I'm for the respite benefit for the Alzheimer's families.

But on the coverage, per se, the largest number of uncovered people now are lower-income working people and their children. I think there are two or three things that can and should be done. First of all, when welfare reform is fully vested in the states, they're going to have to get the private sector to hire able-bodied people off of welfare. To do that, the states are going to have to let them take the old welfare checks and use it as an income supplement, and agree to cover them with Medicaid for at least a year, maybe longer.

In that context, we will be working with the states to give them the flexibility to let lower-income working people buy into, based on their ability to afford it, the Medicaid system, as Tennessee has tried to do. That will take care of some working people and their children.

Secondly, we have a provision in this budget of mine which will cover people when they're in between jobs for six months. That will cover 7,000 kids, as well as a lot of people while they're unemployed temporarily. And then what I think we need to do is to go back and look at whether we can resume Medicaid coverage or Medicaid related coverage of other children in the way that was originally contemplated. That is, providing funds so that states can cover children up to age 18, well above the poverty level, but still with modest incomes. I think those will probably be the next steps, and we'll have to do them in sequence as we can afford to do that.

Q Thank you very much, sir. I appreciate it.

THE PRESIDENT: Thanks.

MR. MCCURRY: You didn't ask the key question -- did you send back your dues -- (laughter.)

THE PRESIDENT: Actually, they haven't sent me my card yet. I'm kind of put out.

Q Do you know why that?

THE PRESIDENT: Why?

Q Because we have a policy against sending those cards to government addresses, and you live at a government address.

THE PRESIDENT: Is that right?

Q So we couldn't send you one.

MR. MCCURRY: 1600 Pennsylvania Avenue? That's his home address.

THE PRESIDENT: What I was going to tell you is the other thing we did not talk about that I'd like to emphasize that's happened since we talked last time is that -- I just want to make two points before I close. Number one is we have done a terrific amount in the last four years to make pensions easier to get and keep for employees and employers in small business settings, and to promote pension security -- 40 million current and future retirees have more pensions because of the Pension Security Act of '94. We've done a lot to collect on 401K pension plans that haven't been -- that were in arrears, and we stopped the Congress from trying to change the law so that we could have a $15 billion pension rate on pensions.

When I vetoed their budget it not only had a $270 billion Medicare cut and a $177 billion Medicaid cut, it had the potential for a $15 billion raid on pensions, which we didn't need to do again. There was a $20 billion raid on pension funds in the '80s and a lot of people lost their retirement as a result of it.

And when we look to the future we can't see Social Security and Medicare in a vacuum, we have to see it in the context of pensions in other savings plans.

And the last thing I want to say is I'm hoping that the Congress will adopt my proposals to let people with family incomes up to $100,000 take out IRAs and withdraw from them tax-free, but also keep them longer, which will make IRAs available for more people; and also my proposal to charge no capital gains tax on the sale of a home up to $500,000 in gain. That will help a lot of people, particularly some older people, to have more of their savings in their home, and then liquidate those savings in their later years if they want to do it without any tax penalty.

So I think you have to look at Social Security and Medicare in the context of pensions and savings. And we need to have more people with good pension plans, and then more options for people to save as individuals. If we do all four of those things, then whatever modest adjustments we have to make in Social Security and Medicare, the retirement picture for seniors will still be stronger in the years ahead.

Q Thank you.

THE PRESIDENT: Thank you.

END