

GOOD AFTERNOON:

Thank you Sidney Johnson for that gracious introduction and for the invitation to join you today. I'd also like to thank Bruce Vladeck and Sally Richardson for their remarkable leadership at HCFA. Both came to Washington with a very strong state perspective, and they have helped us to reshape our policies and our relationships with the states so that we are truly one team.

Let me also express my appreciation to the women and men who run our Medicaid programs. I have always said that being Medicaid Director is one of the toughest jobs at any level of government. Every day, you must balance the needs of the citizens of your state with the needs and resources of your state.

Let me welcome you to Washington. It is often said that timing is everything. Well, your timing couldn't be better. You are here at a potential turning point in our country's history and in the history of the Medicaid program. In the coming days and weeks, we will conclude a debate that will decide what kind of country we will be as we enter the 21st century.

Will we be a country that continues to care for our most vulnerable citizens -- children, pregnant women, the frail elderly, and individuals with mental and physical disabilities? Will we be a country that continues to protect the quality of care provided by our talented health care professionals? And will we be a country that continues the historic partnership between states and the Federal government to maintain a health care safety net for our people?

These questions will be answered as we debate and discuss the future of Medicaid. But first I'd like to spend a few minutes talking about the powerful team that we have created between the states and those of us here in Washington.

In these past two and a half years, we have accomplished a great deal together to change the face of Medicaid. And a big reason for that is that for the first time we have had a President in the White House who truly understands the Medicaid program. President Clinton has transformed the relationship between states and Washington, replacing an often confrontational approach with one of cooperation and results.

As a result, we now have a much stronger program that serves the needs of senior citizens in nursing homes; women and children in need of acute and primary care; children with developmental disabilities and adults in need of home care and institutional care; and individuals with disabilities fighting to live their lives with dignity.

I am, personally, very proud of our record in working with the states to loosen the bonds of Medicaid regulations. Together, we have re-invented the Medicaid waiver process, turning it from a drawn-out process into a rapid, collegial alliance of partners. In these last 30 months, we have issued eleven statewide waivers to allow states to redesign their programs.

Today, nearly one-quarter of Medicaid beneficiaries are enrolled in managed care plans. And 1.1 million uninsured Americans have received coverage in states like Oregon, Tennessee, Hawaii, Minnesota, and Rhode Island.

Home and community-based care waivers 145 of them -- have been approved in every state in the union and we have streamlined the application process for those waivers. These waivers have helped you fundamentally change the Medicaid program and improve the way it helps the people you serve.

But all of this progress, and frankly all of the progress we have made in the thirty-year history of Medicaid, is endangered by the reckless and mindless attack now being launched on Medicaid by the Republican leadership in Congress. Let me put it to you very bluntly: We will make no more progress in caring for the poor, the disabled, and the elderly of this country if the Republicans succeed in wiping out the federal commitment to Medicaid. If the Republican attack on Medicaid succeeds, we will move backward. It's that simple.

We cannot take half a trillion dollars out of Medicare and Medicaid and leave our people healthy. We cannot take half a trillion dollars out of Medicare and Medicaid and leave our health care system whole. We cannot take a half a trillion dollars out of Medicare and Medicaid and leave our health care institutions sound. And we certainly cannot take a half a trillion dollars out of Medicare and Medicaid and leave our hard-working middle-class families able to cope with the cost of nursing home care for their parents and grandparents.

These cuts cannot stand, or much of our health care system will fall apart. The men and women who run our state Medicaid programs know better than all of the so-called revolutionaries on Capitol Hill what these cuts will do to your ability to maintain support for the people we serve.

After the House Republicans released their Medicaid proposal last week, we examined their plan to see which states would win and which states would lose under the Republican formula. We've prepared a map demonstrating the winners and losers and I'm happy to share it with you today. As you can see, there are no winners in this game. Forty-nine states lose and only one -- New Hampshire -- manages to break even. The only question is, how

big is your loss?

I have handed out the HHS analysis of the House plan, which spells out exactly how much each state will lose under that plan and today, I am releasing a new analysis of the Senate Republican Medicaid plan. The bottom line here is that, again, 49 states lose and only one -- Oregon -- breaks even.

The Republicans are making a big deal about how they are "helping" one state or another with their formula. The truth is -- and you and I know it -- they are simply rearranging the deck chairs on the Titanic.

Let's take the example of New York. Under the House plan, the state of New York stands to lose \$24.6 billion in federal Medicaid funds over the next seven years. Under the Senate plan, New York loses \$21.5 billion over the next seven years. The Republicans in the Senate like to describe that as a "gain" of \$3 billion. I say, a cut is a cut is a cut. Under both plans, New York will lose in excess of \$20 billion. Under both plans, New York's hospital system will be at risk. Under both plans, millions of New York residents -- women, children, and the frail elderly -- will lose health coverage. The same holds true when you cut \$15 billion from the Medicaid program in Louisiana; or \$12 billion in Texas; or \$13 billion in California; or \$4.6 billion in West Virginia.

If we make these cuts -- and they are exactly what the Republican plan in the Senate envisions -- we won't have a safety net, we'll have a shambles.

The Republicans like to say that they will give states more flexibility to run Medicaid. Nothing could be further from the truth. These proposals will place the states in a huge, immobile vise that will force you to make impossible choices.

Choices between covering a pregnant woman and a disabled adult. Choices between paying for nursing home care for a frail senior citizen or home care for a developmentally disabled child. Choices between paying for a doctor's visit for a young child and the long term care of a person with Alzheimer's disease. These are not choices that states should have to make because they are not choices that we should make in the first place.

Who will pay the price for this destruction? Let me give you a few examples. The middle-class family with three kids and a parent in a nursing home is able to get by today thanks to Medicaid. But take that protection away; stick that family with a nursing home bill that averages \$38,000 a year; and see what happens to that family's future. How will they pay those bills and still afford the mortgage on their home? How will they pay those bills and still save enough money to send those kids to

college? The answer is they probably won't be able to do those things and that means their future has been changed for the worse.

Or take the case of an elderly woman living in the home that she and her husband bought and paid for. Today, if her husband is in a nursing home, Medicaid lets that woman can keep her home and a small monthly income and the program will help pay for her husband's care. But what if the Republicans succeed in dismantling Medicaid and that woman is forced to sell her home and spend herself into poverty before she can get Medicaid coverage for her husband? What will that do to her life? What will that do to her future? What does that say about our country?

Or think about a woman living with AIDS who relies on Medicaid -- as more than half of people with AIDS and 92 percent of children with AIDS do -- to pay for her visits to the doctor, her stays in the hospital, and the drugs that extend her life. Take away her coverage, take away that assistance, and what will happen? She'll get sicker, quicker, and more than likely, she'll die sooner than she must.

Finally, take the case of a family with a child born with disabilities that requires special care in the home. Right now, states are able to provide high-quality care for that child at home so that the family can stay together and the parents can stay out of poverty. But what happens if the Republicans succeed in dismantling Medicaid and states can't afford to provide that kind of assistance? That family will have to either spend themselves into poverty or place their child in an institution. What kind of a choice is that? What kind of a future is that?

These are exactly the kind of choices and exactly the kind of future that the Republicans in Congress want to foist on the states and on American people in the name of giving a tax cut to the wealthiest people in this country.

Even if the governors and legislatures try to soften the effects of these cuts, what choices do they have? A very unpleasant one for them and for you. They can raise taxes, cut benefits, or simply deny health coverage to millions of their citizens. Under even an optimistic scenario in which one half of the cuts are absorbed by new efficiencies, the Republican Medicaid plan means wiping out coverage for 8.8 million people in this country. Including 4.4 million children; 900,000 frail senior citizens; and 1.4 million people with mental and physical disabilities. These are not statistics. They are flesh and blood. They are the American people. We cannot let this happen.

The Republican plan also would erase the innovations you and

I have worked so hard to achieve. In one fell swoop, the Republicans would wipe out the statewide waivers we worked so hard to approve. That means states like Oregon, Tennessee, Minnesota, Rhode Island, and Hawaii would be stuck with the full cost of coverage for the people they have added to their programs. That's not fair. That's not right.

At the same time, the Republicans would wipe out three decades of progress in ensuring the quality of care delivered in our health care institutions. Seven years ago, President Reagan signed a bipartisan law protecting the rights and the health of people in nursing homes. That law followed a library full of reports that demonstrated the appalling conditions some of our citizens were forced to endure in some of the nursing homes in this country. We saw unsanitary conditions, undertrained staff, overuse of restraints and drugs, and a general lack of oversight.

Working together, Democrats and Republicans; consumers and industry; Federal and state governments devised a system of protections for nursing home residents. The results have been nothing short of remarkable. Since the law began to be implemented in 1990, we have seen a dramatic reduction in the use of restraints and psychotropic drugs to immobilize residents. We have seen a substantial improvement in the training of personnel and in the staff-to-resident ratios in our nursing homes. And we have seen a stronger emphasis on residents' rights than ever before.

So, with those results, what do the Republicans in Congress propose to do? They propose to repeal those nursing home rules - every last one of them -- and dump this responsibility back on you. If that's a revolution, I'm rooting for the Redcoats.

The point here is that we don't have to force these kind of choices on states and middle-class families in this country. We don't have to take away benefits from people who work hard and play by the rules and ask us for a little help to get by. We don't have to destroy Medicaid to save it.

What we have to do is reform Medicaid so that it is more efficient, more flexible to states, more cost-effective, and more targeted in its assistance. President Clinton has proposed just such a package of reforms. The President's plan makes reasonable, rational, and responsible changes in the Medicaid program without wiping out the protections needed by the people you serve.

The President's plan reduces the Federal cost of Medicaid by \$54 billion over the next seven years and provides states with significant new flexibility as well. This plan would establish a per capita cap on growth rates for different categories of

beneficiaries. We would make needed reforms in the payment system for disproportionate share hospitals and target the remaining funds so that they get to those facilities that need them. We would make important revisions in the Boren Amendment, which has often served to tie the hands of states.

We would build on our success with Medicaid waivers by allowing states to offer Medicaid beneficiaries a choice of managed care plans without going through the time-consuming and expensive process of seeking a Federal waiver. And we would allow states to further the use of home and community-based care without seeking a waiver.

These changes retain the historic structure of Medicaid along with their guarantee of a safety net for the people of this country. They maintain the federal financial commitment to you as you confront growing caseloads. At the same time, they further the modernization of this vital program that we all began two and a half years ago. This is what I call the "right way" to reform Medicaid.

In the days ahead, we will be making some very important decisions about the future of Medicaid, about the future of Medicare, about the future of our health care system, and about the future of our country. We must make clear that the health care needs of our people cannot be sacrificed on the altar of a tax cut for the rich.

Twenty-five years ago, Hubert Humphrey told us that the moral test of government is how it treats those who are in the dawn of life -- the children; those who are in the twilight of life -- the elderly; and those who are in the shadows of life -- the sick, the needy, and those with disabilities. We will continue to meet that moral challenge, but only if we work together. Thank you.