

## **Speaker of the House Newt Gingrich Giving Speech to the Annual Meeting of the Council for Affordable Health Insurance, May 9, 1995...**

As you know we are launching a very broad-front effort to move this country out of a welfare state and into an opportunity society and that means an amazing range of changes and so what I'd like to do is just focus in for a few minutes of the health aspects of that and talk about the scale of change I think is coming and let me surprise some of you to say that I just finished a couple chapters of a book *To Renew America*. Part of my conclusion was that you are likely to see a crash in the cost of health care in the next 20 years of at least 20%, and that is so different from all the current planning modes that I ask you to stop and do some reverse engineering with me. Lets assume you are out there 20 years from now and health is actually cheaper than it is now. How did that happen? I want to suggest to you that it is really worth thinking about.

First of all we are entering the age of molecular medicine. We are about to know dramatically more about how bodies operate and the whole DNA human genome approach that is literally going to eliminate classes of problems.

Second, we are entering an information age in which our real time capacity to check of research all over the planet is going to not only allow new ideas to move around faster but also mean that patients and parents of patients are going to be able to learn dramatically more very fast and that doctors are going to rapidly discover among health activists that patients know as much or more than they do about the particular problems they are dealing with because that patients have far higher vested interest in learning the state of the art than do most doctors.

Third, you are going to see the reemergence of a genuinely free market. I've told every medical group I've talked to in the last 2 years you either have to go to Wal-Mart or you've got to go to Canada. You can't stay where you are now. You can't have a secret process in which things are done to people and then a bill is sent. Imagine you bought cars that way or groceries or houses. We are going to have to move to – I believe because I am a conservative – to a genuine free market. That means when you have a problem you can turn

either to your lap top or your yellow pages or your telephone and find out, if you have a thyroid problem who are the best thyroid specialists in your area and how much do they charge and what their outcomes are like. When you have to go into the hospital for an appendix, what are the seven best hospitals in your area and how much do they charge for an appendix operation. And that will begin to change the whole dynamic because prices will drop.

And you are about to move to self-managed care. This will be a model where you have an insurance policy that says in your area we pay – and your area may be the whole country because you can travel anywhere you want to. You take the highest 1/3 cost area in the US and look at what they charge per procedure and in the lowest 1/3 area and what they pay per procedure, and it may actually pay the insurance companies to say -- we'll let you write off staying at the Days Inn if you would like to drive 140 miles out of your metropolitan area, have exactly the same common procedure with exactly the same outcome rate for 50% of what they charge in your metropolitan area, and by the way, we'll let you keep half the savings.

Now that is what a free market will lead to very rapidly because the truth is, wealthy people go to the Mayo Clinic in Rochester, Minnesota and nobody says, "Gee, why do they travel that far?"

This will also mean that health care and health systems will be the largest earner of foreign exchange in the 21<sup>st</sup> century. Americans will make more money in the world market and health will be seen as an opportunity not a problem financially

Now let me talk in the short run. We have to move a very broad front legislation, but I want to move it as building blocks. We want to move portability by itself. I don't see how even liberals can stop it. The fact is every American wants to know that once they're in the insurance system they can switch without being trapped in a setting where they can't buy insurance. Virtually every insurance company I've talked to has said as long as you have to already be in the insurance system we can work out a way to allow people to swap, where you can't have a big free rider approach where you don't buy insurance until you get sick which is what New York tried so we'll probably move portability.

We want to move Medical Savings Accounts.

We would like to move the tax transparency, where whether you are buying your own insurance or your insurance is being bought by your employer, why should there be a difference in tax consequences? And that would lead to dramatically wider grouping.

We would also like to make it possible for virtually anyone to become a group. So if your church, your synagogue, your bass fishing group, whoever wants to form a group, why should we be trapped into a handful of groups? It's a much more flexible, dynamic environment and assumes the capacity of people to be consumers and not just to be taken care of.

Now let me apply it directly to Medicare, which is the greatest challenge we are facing in the next six months.

First of all, understand where we are starting from. The Clinton administration trustees stated publicly that the Medicare trust fund goes broke by 2002 and begins to go broke starting next year. Now, if the budget were balanced this evening, the Medicare trust fund would still face a crisis. If we said forget about balancing the budget, the Medicare trust fund would still face a crisis. The greatest act of irresponsibility I've seen lately is an administration whose own trustees issue a report saying Medicare is going broke and they leave and say we're not going to do anything about that, please reelect us.

I think it is sort of bizarre that they think they can hold senior citizens hostage and wander off and not provide any leadership. And still have that as a positive position. We are taking the opposite approach. We are designing a Medicare plan, which will ultimately be in several steps. Phase one is designed to stabilize the system for people who are 55 and over. That's the group that is faced with the most immediate anxieties about Medicare. We believe we can do most of that this summer and we are going to offer the first bold structural improvement in Medicare since 1965.

Our system will essentially be offering the current base Medicare plan followed by offering 5 or 6 options. MSAs will be an option. Opting out of the system and getting a voucher from the government and buying your own insurance will be an option -- paying whatever you want and buying whatever plan you want and going wherever you want to. Managed care will be an option. We are looking at this concept of self-managed care where the

system will offer you a voucher for value and you can go buy it on your own.

In every case we want to encourage development of a program where if you find waste or fraud in the system, you the senior citizen, will get 25% of whatever you save. When you think about how when you buy a car you check the bill, many of you when you buy at a grocery store or at a restaurant, you check the bill. You get a \$49,000 bill for the hospital and say what the heck. One of my members said on Friday that his mother went to the hospital to get a mammogram and got the bill; she went back in and said -- this is wrong, it says you gave me two mammograms. Well we gave you two mammograms. You can't have. I had a mastectomy 15 years ago. The answer was -- what do you care, Medicare is going to pay for it.

We had a woman in Brunswick, Georgia who had to get some stitches out. Instead of being taken to the Brunswick hospital for \$30, she was taken to Jacksonville, Florida. The price of the stitches wasn't very much but the ambulance company that took her there charged \$1,400. She called former Senator Max Maddingly and said, this is crazy I want to testify about waste.

So we want to build an incentive not to go back to bureaucratically monitored system but an individual monitored system where people are aware of the price of what they are paying and where people have an incentive to keep the price down.

I give you all this as background just to say we believe we can save Medicare. We believe that we can protect it., We believe it will be preserved, and we believe the key is to improve it not just to demagogue about it.

But I want to give you one number to take home with you because you are going to see a big lie program from the liberals that will make the school lunch demagoguery look like nothing.

Medicare spending under the current Republican proposal in the House goes from \$4,700 per year to \$6,300 per year per senior citizen. Now, in almost all of America going from \$4,700 a year to \$6,300 a year would be considered an increase. That is, we will spend more in fact we will be spending \$1,600 more. In most of America, the idea that we are prepared to spend \$6,300 per person on an insurance program would strike most people as a fairly serious commitment. But I can assure you that over the next three

to four weeks you are going to see the Washington interest groups and the liberals join together in a deliberate effort to frighten senior citizens by lying to them about the program.

And it is, I think, a remarkably despicable thing that some people want to keep their elected jobs so badly that they don't mind scaring 70 and 80 and 90 year old people by telling them something that is fundamentally false.

Now the question is very simple – Is it possible to develop a program that provides adequate healthcare for \$6,300 per year per person? Now let me give you my answer as an historian. If we aren't smart enough and creative enough to improve the system for \$6,300 per year than we had better just tell our kids that the America we've known is gone.

I'll give you one other number. If you are 40 years old today the current projection is that when you are 75, which virtually every 40 year old will be, we will be spending on Medicare alone three trillion, five hundred billion a year. Now think about that. That's impossible. It won't happen. It's inconceivable. Therefore, what were trying to do is be responsible, be adults and be honest.. But we can only do that with your help.

I hope all of you will help us develop options. I hope you'll feel free to come in and testify. We're going to have many hearings. We're going to have a tremendous effort this spring and this summer to really reach out to everybody. And we believe in terms of general insurance for most Americans and in terms of Medicare, in both areas we believe we can provide better health care at lower cost with greater control by returning citizens to their role as consumers where they have control over their destiny and I think that the Council for Affordable Health Insurance is one of the groups that can help get us there. Thank you all very, very much