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MAKING A FEDERAL CASE
OUT OF HEALTH CARE

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Keynote Address
Representative Dick Armey (R-Texas)
House Majority Leader

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P R O C E E D I N G S

DR. MILLER: Let me introduce Dick Arme y. He has been House Majority Leader since 1995. He received his Ph.D. in economics from the University of Oklahoma and began what would be a 13-year stint at the University of North Texas, part of that time as Chairman of the Economics Department -- as he likes to say, a free-market economist in a Keynesian Department. That was when we were all Keynesians, and I'm not sure if we're all free-market folks these days, though there was a window where we seemed to believe that a few years back.

Congressman Arme y won election to the House in an upset, and drew notice initially in Washington for his sleeping habits as a freshman congressman, because he slept first in the House gym and then, after being ejected by then Speaker O'Neill, he slept on his office couch, to save money on personal expenses.

But you were awake when HIPAA passed Congress.

(Laughter.)

DR. MILLER: His first major legislative achievement was the military base-closing bill; and as a result of that work more than a hundred obsolete bases began to be closed, saving taxpayers \$4 billion per year.

You must have left some behind for Secretary Rumsfeld, though. He is having some problems in turning out the lights on more of them in the latest round of proposed base closings. Perhaps he'll have another commission.

Back when I was at the Competitive Enterprise Institute, I used to edit the Competitive Enterprise Index of Free-Market Voting in Congress, and Congressman Armey always paced the field. Not surprisingly, he quickly then moved up the House Republican leadership ranks; I'm sure the two were related.

In 1992, in December, he was elected Chairman of the House Republican Conference. In 1994, he was the author of *The Contract with America*, which helped propel Republicans to control the House of Representatives for the first time in 40 years. And as House Majority Leader for the last seven years, he has managed the day-to-day affairs of the House. We are delighted he could break away this morning to talk about HIPAA and some of the lessons we've learned perhaps from the past.

Majority Leader Dick Armey.

(Applause.)

REPRESENTATIVE DICK ARMEY (D-TEXAS)

HOUSE MAJORITY LEADER

"JUST GOTTA LEARN FROM THE WRONG THINGS YOU DONE"

REPRESENTATIVE ARMEY: Thank you. First of all, let me say that it was brought to my attention this week that Warren Harding once interrupted a speech. In the middle of it he said, "I did not write this speech, and I do not believe what I just read."

(Laughter.)

REPRESENTATIVE ARMEY: Let me assure that I did write this speech and I do believe what I'm about to read.

Also, it is true that I was awake when HIPAA passed; and this case is actually worse than that. As you know, I voted for it. And that's why the title of today's speech is taken from one of our great 20th century American philosophers, Jimmy Buffet, "You got to learn from the wrong things you done." And it's nice to be back here at CATO. I want to thank Ed Crane and Tom Miller for the invitation.

I suppose, like all of you, I've had a long-standing interest in health care. It was first brought to my attention at the morning of my birth, actually. I'm one of the few people that can sit here and tell you I was born at home so I could be

close to my mother. But even then -- boy, you're a grim crowd here.

(Laughter.)

REPRESENTATIVE ARMEY: That was a joke. Actually I was born at home. But I have been and am interested and concerned with health care.

For the most part, we Americans have had the luxury of being relatively indifferent. When you are free, you can be indifferent to government. It's only when government threatens your liberties that you have to of course move from indifference to vigilance. And that was the case in particularly the years 1993 and then of course in 1994, when we came to death grips with something called Clinton Care. And one of the great accomplishments I think we can celebrate for us Republicans in Congress is that we defeated Clinton Care.

In fact, I think it's one of our finest hours. And in that regard, I take a certain satisfaction in this chart, which we created in my shop, which depicts what Clinton Care would look like. And this chart was born out of my observation, after trying to read the bill, that you didn't have to explain this bill or you didn't have to criticize it. You just had to show the American people what it is.

And I am flattered to tell you that one of Mrs. Clinton's comments after the defeat of Clinton Care was that, "We

never overcame the chart." So, I take a certain satisfaction in that. We captioned that chart somewhat sarcastically, "Simplicity Defined."

But I don't know how many people realize how close we were to facing the passage of Clinton Care. That was a tough fight. And, quite frankly, without the chart, I think they might have been able to smoke us on it. But that chart made it irrefutable. And I'm please to tell you that it showed up on tee-shirts; somebody saw it posted in a taxi-cab; and of course it was featured in some of our more prominent publications. And it got the message to the American people.

So that what promised to be a catastrophe for the American people turned out to be a catastrophe for the Democrats. In fact, I have always argued, and still argue, that just having proposed Clinton Care was the single reason the Democrats lost the House of Representatives to the Republicans in 1994, more than any other thing. I know we all like to strut our genius in the matter, but, quite frankly, it was their folly more than anything else.

I further would point out that had we actually enacted Clinton Care, I don't think the President would have been re-elected two years later.

But winning the majority in 1994 gave us the chance to put our own stamp on health care. And HIPAA was the bill we

passed. It started out as a modest little bill, claiming to make coverage portable from job to job. It grew to become a whole package of reforms, most of them having nothing to do with portability.

It turned out that HIPAA did little to make insurance more portable, but it did set a dangerous precedent for the Federal regulation of health insurance. And it appears to have expanded bureaucrats' access to our medical records without a search warrant. To be sure, we actually made it better than it might have been; and we did manage to get medical savings accounts attached to it. But looking back at it now, it seems undeniable that the first health care law after Clinton Care was, to some extent, the first installment of Clinton Care. The Left has learned its lesson well.

In the wake of that defeat, they worked step by step to obtain what they could not get all at one time. HIPAA, it turns out, was their first big step. Next came Kid Care. And now the Senate has passed a so-called patient's bill of rights that would vastly expand Federal regulation of health insurance and swell the ranks of the uninsured.

The liberals are so sure of the bill's passage that they're already waiting in the wings with their next steps. For instance, just the other day Senator Kennedy unveiled a bill to let parents into Kid Care. And Pete Stark -- listen to this --

wants to put all kids on Medicare. It doesn't take a crystal ball to see where this process is heading.

It's ironic that the Democrat Party poses as a great enemy of HMO's. I think that's one of the great ironies we face today, since it was Senator Kennedy who wrote the first federal HMO's law in 1973, and it was the Democrats who tried to herd all of us Americans into HMO's in 1994.

This amazing turnaround on their part is proof, as David Horowitz noted in his book, *The Art of Political War*, that the resurgence of the Democratic -- "sic" -- Party has occurred largely through its appropriation of Republican rhetoric and policy. And unfortunately in health care they have appropriated a lot more rhetoric than they have policy.

So, I appeal to my fellow conservatives: Let's get on offense and work harder for free market health reforms, because as *National Review* advises us, "If the Republicans don't reform health care themselves, the system will evolve in a socialist direction while doing constant damage to the party of liberty along the way."

Ladies and gentlemen, patients need more than a bill of rights. Patients need a declaration of independence. Patients should be able to sue their HMO, but, even more, they should be able to fire their HMO. This is America. Patients should have the right and the ability to take their business someplace else.

And that's why MSA's are so critically important. And, quite frankly, that is recognized more clearly by Senator Kennedy than it is by we Republicans, and that is why he is dedicated to stopping it.

MSA's combine peace of mind with freedom of choice, affordable insurance with tax-advantaged savings. The existing pilot project has shown MSA's to be very attractive to the uninsured. And that is why, as I said, Kennedy wants them stopped. As you recall, back in 1996, he forced us to accept a whole lot of series of Luddite as the price of getting MSA's on the books. My favorite Kennedy quote, with respect to MSA's, was the time he observed, "We can't really give people that option because if we do they'll take it."

(Laughter.)

REPRESENTATIVE ARMEY: And he has done everything he can to sabotage it. Well, I'm happy to report that the House is now likely to repeal some of those restrictions in whichever version of the patients rights bill we now pass. Once MSA's are made permanent, workable, and universally available, I'm hopeful a real market will form, MSA's will take off and the National Health Insurance will become significantly harder to enact.

Long-term, we must get serious about reforming the tax treatment of health care. It's time to level the playing field so all Americans have access to insurance that's portable,

affordable, and tailored to their family needs. As it happens, my flat tax bill would do just that. And the reason it would do just that is that the flat tax bill goes to the heart of the beginning of the matter, when, in 1942, the government said that employer-provided insurance would not be taxable income. That is where the whole genesis started. And that is the largest single classification of earned-income America that is exempt from the Tax Code, and that would be brought into the Tax Code under the flat tax. And there would therefore then not be that advantage for employer-provided insurance.

See, the government can always manage me when I'm buying something for you, but they cannot manage me when I'm buying something for myself. That's where we see freedom begins, and we insist on it. I think we've got to get there.

We economists always believe that we're going to get to the bliss point, and someday we will do that with a flat tax. And I would argue that virtually every worry or every concern you've ever had about the Tax Code, every correction you've ever wanted, you get in spades with a flat tax.

In the meantime, we can pass refundable tax credits for the uninsured. The Armev-Lipinski Fair Care Plan would give a family of four a certificate worth \$3,000 to purchase good private coverage. And that would put the self-insured on the same tax plain as the employer-provided insured. That would give

you and me a reason to be willing to exercise the option to provide our own insurance rather than rely on the employer-provided system.

And I believe there is a market for the self-insured. And I think you can find that market today on a Web site called eHealthInsurance.com. It is there. The options are many. And they are affordable.

Let me say I don't necessarily want to blow up the employer-based system. I believe that the Democrats, the Liberals, would like to do that, so that they could present single-provider health insurance, where the government as a single provider. I think it should be transformed from within, where people have the options to choose to go another way.

We should help job-based coverage evolve to give workers more choice and more control. For example, we should end the use-it or lose-it rule on flexible spending arrangements. If workers could accumulate flex cash for medical expenses, they would basically have a job-based MSA without the Kennedy restrictions. At the same time, we should promote a big new idea in health care: defined contribution plans. Just as 401(k) pensions have given millions of workers more choice and control, so could 401(k) health plans give them that control.

It would be a shame to let a patient's rights bill become law without using the opportunity to help American workers

exercise greater control of their own health care. This takes you right back to Armev's axiom: Nobody spends somebody else's money as wisely as they spend their own. When we're involved in managing our own health care finances, and involved in those decisions related to them, we will do a better job. When you can hire and fire your own insurer, you are much less likely to need or want to sue your employer.

My colleagues, Jim DeMint and Richard Burr, by the way, are leaders in this area, and we should be listening to them more than we do.

Ladies and gentlemen, in summation, as Jimmy Buffet says, "You've just got to learn from the wrong things you've done." The Liberals learn from their mistakes, and we have got to learn from ours. And I think we need to get serious about patient power and a declaration of independence for all Americans in health care.

And finally, let me remind you of this. Here's our problem. We've got to help the American people to understand that in health care, as with any other aspect of your life, if you want the freedom, you must accept the responsibility. And that, of course, I think is a big part of the burden. Too many Americans feel like if they have to go through the market rigors of examining, choosing, selecting, purchasing, deciding, and managing for themselves that the burden is too great.

Too many people are encouraging our citizens that they're not up to the task. But I can tell you right now, if you can figure out how to select a PC and how to make it burn a CD, you are not only 14 years old, but you're quite capable of selecting your own health insurance, and knowing before you get to the hospital the extent to which you are in fact covered. And when you know that, you won't have a bitter disappointment by virtue of your presumption that you must have been cheated because of what you had imagined wasn't there, and a compelling need to get a lawyer or to scream out that great American distress signal, "There ought to be a law!" Thank you.

(Applause.)

DR. MILLER: We have the luxury of having the Majority Leader with us for a few more minutes, maybe about five minutes. Could you take some questions?

REPRESENTATIVE ARMEY: Sure.

DR. MILLER: If you have some questions, wait for the microphone.

REPRESENTATIVE ARMEY: Tough crowd, I gotta tell ya'.

MR. PENDLETON: Jim Pendleton, from Pennsylvania.

The many aspects that you brought up for solving the health care problems was very refreshing. I was just wondering, what we read in the press is so narrow and repetitive coming out of Congress on the patient's bill of rights. At least in

Philadelphia, what we hear about is the importance of suit over and over and over again, and whether or not it will increase the cost, and it's so narrow. Is there any way that you can break through better to the public, with the wealth of recommendations that you have, to get to the public, to indicate the wealth of recommendations that are being offered and thought about on the part of freedom and what you have to offer?

REPRESENTATIVE ARMEY: Actually, what we have been trying to get the public to understand is: more important than suit is medical review. And we have fought a chorus of voices -- a unique experience in my involvement in health care -- a duet from the medical profession and the legal profession. The doctors and the lawyers have ganged up for the wrong story: the lawyers of course being driven by greed and the doctors being driven by a need for revenge. And they keep pushing suit ahead. But their motives for doing that I believe are prurient, and we have got to have a voice that rises above that.

My own presentations on the subject, I have always said, let's get to the heart of the matter. And I challenge people: If you have somebody you love laying in a hospital bed, what is your big worry? Your big worry is very simple: Is Daddy getting the right treatment? Who can answer that question? Only a medical professional.

You've got a right to what we used to call and know in the ordinary business of life, without a government hand of interference, you had a right to and you should have a right to a second medical opinion. It should be professional; it should be immediate. And only after your HMO provider had a malevolent disregard of that opinion, should you be drawn to the courts. So this great debate is, to a very large extent: Who comes into that hospital room and responds to that anxious patient or that anxious patient's wife or daughter or mother or whomever -- a lawyer, or a doctor?

And the thing that I think upsets me the most about the Ganske-Dingell thing is that it is so lacking in heart. Can you imagine a society that has got nothing better that they can say to that distressed parent than, "Yeah, we'll get you a lawyer and we'll find out when we get you on the docket six months from now." That's not what they need.

But that chorus of voices is strong. In fact, I was led to the frustration just about a year ago of saying that the only health care provider that I had any confidence in anymore was a veterinarian. To which one of my Democrat colleagues said that I ought to have one for my personal physician.

(Laughter.)

REPRESENTATIVE ARMEY: I believe right now the veterinarians are the only ones that have not crawled in bed with the lawyers. But it is a strong chorus, as you can guess.

DR. MILLER: We probably have time for one more question. Sue, down front?

MS. BLEVINS: Sue Blevins, Institute for Health Freedom.

I want to thank you for working to put on hold Federal funding for the Unique Health Identifier over the past few years. And I was wondering, this year, will you support repealing the Unique Health Identifier as part of HIPAA altogether?

REPRESENTATIVE ARMEY: Yes, I do. And of course I'm very worried about this. And we will continue to work on that. But one of the things that I've learned the hard way is don't predict what will be in the bill. When we brought HIPAA through before, I was seduced by the hope for MSA's. I got too much HIPAA and too little MSA's. And I'm here to stand up. My AA made me take that line out of the speech formally because he doesn't like me confessing. I cast a bad vote. I feel bad about that. But we need to try to go back and fix these things.

DR. MILLER: Repentance is good for the soul.

(Laughter.)

REPRESENTATIVE ARMEY: Thank you. What better place than here with all the forgiving, loving people at Cato.

(Laughter.)

DR. MILLER: The Majority Leader has to go out and lead, or at least herd some stray cats. We thank him very much.

(Applause.)

DR. MILLER: We are going to take a very brief break. We need to be back here at 11:15, no later than that, for the next panel on Health Privacy. Thank you.

(End of Cato Institute Health Policy Studies Conference Keynote Address.)