

Male Speaker:

If you could look into your crystal ball and tell us what you see under two scenarios after the election, one with a divided government and one with a united government; what do you see happening a year, two years into the future?

Female Speaker:

Well that's a good one, and as you might be able to imagine, one of the talks I've been giving I will be giving -- this is talk number one of four for the rest of the week -- and one of the one's I've been doing a lot of is the Politics of Health Care Reform. And it actually has a lot to do with this issue of divided government, unified government, although it becomes more complicated than either of those.

First is, if you mean health care reform primarily focusing on the expansion for insurance coverage for the 47 million people without insurance coverage, I will tell you that I think it is unlikely that we will see that in the next session of Congress. Doesn't mean no expansions and it doesn't mean no health care reform, but I see it hard that we are going to get the big spend part of health care reform. And the reasons are that we don't have the money. It is as best I can tell, and I've tried every which way to think of other scenarios, going to not only be a Democratic Congress, it is going to be a more Democratic Congress than we have now. But it's not obvious that it's going to be a Democratic Senate with 60 sure votes, that is votes for a health care reform plan that will allow for cloture to occur.

So to me the most important is not whose elected president but what the Congress looks like. That is where new legislation occurs. Obviously to the extent that the president is pushing health care reform as an issue, it is important but of course as we saw in 1993-'94, President Clinton than said, "Health care reform is my most important domestic policy agenda." People like me were explaining to people outside of the country who live in market, who live in Parliamentary democracies, that's nice but it actually is irrelevant.

What is relevant is what the Congress is going to do if there are 218 votes in the House; 50 at a minimum and 60 if you actually want something controversial done, then y you've got something. And if you don't, you don't. And that is fundamentally the biggest issue.

The basic problems that I see in this next term are that the kinds of money that is under consideration, either for Senator Clinton's plan at her estimate of about \$110 billion a year more or Senator Obama's estimate of about 60 billion. Senator McCain has what is going to be an expensive plan when it's costed out. I had not seen it. It was the only of the Republican plans that seriously went after the uninsured by providing a rather large credit -- five thousand for families, 2,500 for individuals, which is a lot more money than most middle income people are now getting through the Employer Tax Exclusion. So it is also going to be a big number. I don't see where that comes from. The Democratic Congress has been much more serious about following PayGo, that it is actually paying for new expenditures than the Republican's have been for the last two terms. And it's the good news for fiscal responsibility and it's the bad news for

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having a major new program occur.

So if, in this case, the issue is less critical, the split government always makes for more conservative government. That is the answer, it is always harder but fundamentally if you've got somebody who is pragmatic and there is an interest in the Congress and this is an issue the president wants to push, recognizing it's a Congress that passes legislation, you could get something; you could get an expansion in coverage. I just don't think you're going to get the whole enchilada of coverage because it's too expensive. But there are so many areas in terms of what I regard as health care reform that could go on. And I try to phrase it, and there is no question we should, we need to provide health insurance coverage for our population. Now I think it is, I do not object to what Senator Obama has proposed of going, starting in with one group, as I look at the numbers, 15 percent uninsured would mean 95 percent coverage.

I've actually used in other talks earlier in my life that if we could get to 95 percent coverage, I would declare victory and go home and try to inch in, in the other five percent over time and have providers a last resort. Because the only way you get 100 percent coverage is mandates, entitlements or both. And that is a whole other set of problems so you know, that notion, that's sort of one issue, what do you mean? But I regard the problems of excess spending and quality and patient safety as problems that affect 100 percent of the population -- the 85 percent of us with health insurance and the 15 percent of the population without health insurance.

And furthermore if we can find ways to slow the growth rate in spending it will be so much easier to start rolling out health insurance expansions. So I hope we will get more of a willingness; here's how we're going to expand in the short term, here's how we're going to try to address the patient's safety, quality spending problems in the short term and here's the next step that we'll make. We could do that if we decide that's okay. If it's universal coverage or bust, it will be bust just like it was in '93.

Female Speaker:

I just wanted to follow up on that question with regards to the over all American/U.S. economy. The influences of the mortgage crisis and gas prices and jus the state of our economy and how that's going to influence health care.

Female Speaker:

Well what you can see, I follow polling numbers whenever we get to election periods. Although I have to warn people, you have to be really careful that you actually look at the questions and the follow on questions, otherwise it's very easy to get misled by polling information that's too 30,000 high. I've been watching now, I've been tracking since last summer, and what's happened is not very surprising. Up until about December, November or December, Iraq was number one, health care moved around, it was always number two for Democrats and Independents. Initially it was number three for Republicans and then around October it started moving up to number two. So it was number two, it was Iraq, health care, then there were some debates about immigration, economy.

That's all started to change around December and now it is overwhelming. The economy is

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issue number one; Iraq is issue number two that also splits depending, not surprisingly, on party identification. Health care for Democrats and independents is number three, for Republicans it's number seven. So the answer is it has really fallen off people, and people are always much more focused on their paycheck than anything else if there's a paycheck issue. And that is clearly what the focus is now.

Now it is helpful, I don't know whether it will continue, that polling is showing that people expect this to be a short-term recession. And when asked whether or not they think next year they will be financially in better shape, at least up until the present time, that's where they're thinking. And it becomes very important because consumer expectations, which lead to consumer behavior is critical in terms of what actually happens to the economy. If people are worried, they tend to defer spending on places they can. Consumer durables like refrigerators and automobiles, homes they're deferring for other reasons, but in terms of those where they have choices. And that of course has a lot of negative affect on the economy. So the whole expectations will have an impact.

We have not yet officially registered that we're in a recession, but I think people clearly believe they are, are acting that way and as soon as we can measure where we are, there seems little doubt that that will be what will happen. I mean but the official definition is when you have two quarters with negative growth than that's the NBER official definition of a recession. But I think people – Greenspan commented yesterday we are – and I think in terms of every indicator that's available, that's where we are.

The real question is you know, well is this something that is going to be short and shallow or not? And I think the answer is, it's hard to tell when you're in it how short and shallow it will be. Depends whether or not, you know, having the focus on the financial services is a relatively limited group. And the fact is the stock market has remained high in terms of the indexing but if it were to spill over into other parts of the economy then it will not be so short.

That will have an impact in terms of tax collections and also the cyclical, anti-cyclical spending that kicks in, in recessions will go up which will mean there will be less for other things.

There has been an interesting quip; I'll share it with you because I can guarantee you will hear this as part of the political process. That increasing taxes and increasing protectionist legislation is not the obvious way to get out of a recession. So you may hear that mentioned is that it may be something that one of the political parties wants to at least temper or dampen as they go forward. We are in a slow down for sure. Frustrating because it seems so self-inflicted but exacerbated if consumer expectations continue.

Anything else?

I will turn you over to your closer.

[applause]

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