

## MEDICARE AND MEDICAID AT 40

There was a time in America when the government had almost no role in providing health care. The sick and needy—especially the elderly--bartered, borrowed or begged to see a doctor---or they went without.

PHIL LEE: The principle problem was medical care costs. Not that people couldn't get good care. But it was that they could not afford it.

BOB BALL: The elderly, even without the depression, were quite dependent on their sons and daughters, and their sons and daughters were out of jobs during the depression.

In 1930, life expectancy for white Americans was 61, for African Americans, just 48.

Interest in national health insurance—insurance for every American--came and went in Washington. The debate became more serious in 1945 when Harry Truman became the first president to send a proposal to Congress.

JOHN DINGELL: Harry Truman was very much troubled during World War Two when he found that there was no health care and as a result young men were coming into the Army with, with a lack in terms of their health, simply because there was no way of providing it.

Truman's effort failed but the seed was planted. In 1960, Congress enacted the Kerr-Mills bill. It provided federal grants to states for medically indigent seniors and passed with the support of southern conservatives.

JOSEPH CALIFANO: They thought it would help elderly people in the South, but what happened was that three years later in 1963, only 32 states had adopted it. But of those states, five industrial states, New York, California, Michigan, Massachusetts and Pennsylvania got 90% of the dollars, and Mills was furious.

“Mills” is Chairman Wilbur Mills—of Arkansas--who’s House Ways and Means Committee was the gatekeeper to bolder legislation. Events converged to make that possible; Americans wanted to honor John Kennedy by enacting programs the slain president had supported; in the ’64 elections Democrats seized control of Congress by a two to one margin over Republicans; and the needs of the elderly were escalating.

DOROTHY RICE: We had just completed the 1963 survey of the aged...And what we had, and what we showed very clearly was that only half the aged had coverage for health and most of it was very, very poor coverage.

Enter Lyndon Johnson; determined to drive through a health insurance program for *everyone* 65 and over. There was no plan—yet—to include younger, poor Americans.

PRESIDENT JOHNSON: Our older people are likely to be hospitalized three times as often as younger people; but their income is less than half of that of people under 65.

JIM JONES: When I came to the White House, the push was on. That ‘times a wastin’, what have you done about this, what have you done about that.’ And Lyndon Johnson was always racing against time.

The debate over Medicare engaged the most powerful players of the time; the labor movement and the American Medical Association. For the AFL-CIO, Medicare would be a step towards something much bigger.

LISBETH SCHORR: When the A-M-A and other opponents said this was just the camel's nose under the tent; yes, it was perceived that way by proponents as well. That once you could establish a really good program, that was successfully working for all people over age 65, then it might show that you could have a national program of health insurance for all.

The A-M-A launched a massive campaign, enlisting the help of a popular actor of the time; Ronald Reagan.

PRESIDENT REAGAN/ (AUDIO ONLY) :One of the traditional methods of imposing statism or socialism on a people has been by way of medicine. It's very easy to disguise a medical program as a humanitarian project.

The A-M-A's Dr Edward Annis criss-crossed America, warning doctors of the "socialist yoke" Medicare bureaucrats would place around their necks.

DR. EDWARD ANNIS: They make the decisions, they decide who gets in, who gets out, what they get, what they don't. Finally, interfering with the practice of medicine and I predicted it would change, bring about a different system of medicine for all Americans.

JAY CONSTANTINE: The dilemma the A-M-A had was the problem was real. That was the fatal flaw in their opposition. That the problem was real and generalized; whether the solution was the best solution, you know, you can debate.

For Wilbur Mills, Medicare was a way to make good on the limited success of Kerr-Mills. But he went even further. The Administration's bill was straightforward; coverage of hospital bills. To encourage support from Republicans, Mills added the *voluntary* participation of *doctors*.

BILL FULLERTON: We were sort of all taken back, when the chairman said, 'well, everybody thinks doctors are going to be in Medicare, so we're gonna put 'em in there. We all, all went like this (makes a face) and said 'jeez, we don't know how the hell we're gonna pay doctors for this.

Mills kept going. To placate the A-M-A, which *did* support help for ten million Americans on welfare, he added a *third* element to the package; *Medicaid*. It would be financed the way Kerr-Mills had been. Medicaid had virtually flown under the radar and Mills was the pilot.

Bob Ball and another Administration official, Wilbur Cohen, witnessed the chairman make his move.

ROBERT BALL: On one afternoon in this committee, in private session, but Wilbur and I were there, Mills said, 'well why don't we do this, like he just thought of it....Well, Wilbur and I were more or less opened-mouthed.

The three-layer cake--as it was called--passed in the summer of 1965...the old and the poorest Americans would have health insurance.

Congressman John Dingell sat in the chair when votes were cast, a testament to his father who, as a Congressman, fought for national health insurance.

CONGRESSMAN DINGELL: Inside of me, there was a sense of quiet elation and happiness that we had done something important. Most people don't know the story. A lot of people think that, you know, that this was always there and getting it was easy.

To honor the early footwork of President Truman, Johnson staged the Medicare and Medicaid signing ceremony in Truman's hometown of Independence, Missouri.

PRESIDENT JOHNSON: But we wanted you to know, and we wanted the entire world to know, that we haven't forgotten who is the real daddy of Medicare.

For those in charge of implementing *Medicare* the hard part was just beginning. The Social Security Administration needed to enroll 19 million elderly Americans in a matter of months...in a time before super-computers.

ROBERT BALL: The Social Security District offices were kept open into the evening for people who were still at work. The forest service even had rangers looking for hermits in the woods. Every agency of government was helping. I don't know whether this will ever be repeated again.

In one week alone during the campaign, a million people enrolled.

President Johnson had another concern; a potential boycott by doctors. He called A-M-A leaders to the White House—ostensibly to talk about supporting the Viet Nam War—but when they went in front of the press the subject changed.

JOE CALIFANO: Johnson says, 'call in the press' the press comes in and the first question is about Medicare, are the docs gonna sign up under Medicare? And Johnson says, 'these men, they're sending physicians over to Viet Nam to die for this country, of course they're going to support the law of the land and sign up for Medicare,' turns to the A-M-A President and says, 'doctor?' and the president says, 'yes, of course, we will.' And that was the end of it.

The doctors were in but would hospitals do the same? *Would* the nation's one thousand *segregated* hospitals begin treating blacks and whites—equally—a requirement to participate in Medicare?

PHIL LEE: It was a very worrisome period to think that you may have hundreds of hospitals that would not be available to patients. But, it didn't work out that way because the President was adamant in his position, that we would not give ground on that issue. And, it made all the difference. I mean it totally transformed medical care in the United States.

In the first week, just seven calls of complaint came into a government hotline. The process of integration had begun, at a time when about four out of ten African-Americans lived in poverty.

DOROTHY HEIGHT: The combination of Medicare, Medicaid and civil rights legislation changed the health care landscape forever, for black Americans—and for all Americans—not just for those who were 65 and above.

Americans—especially the neediest Americans—who never had medical care were now getting it.

JIM MONGAN: There were a lot of elderly people, and low income people in the case of the Medicaid program, who were clearly, in many instances, receiving services for the first time and many of whom had not had the surgical procedures they had been delaying or had not had access to other kinds of care. So, that you could tell that this program was making a difference in people's lives.

Before long, the programs were costing more than anyone expected. Some Congressmen complained Medicaid was becoming a “blank check” for the welfare system. Doctors—reluctant players in the beginning—realized that

treating elderly Medicare patients for their “usual and customary” fees was not a bad deal.

JOE CALIFANO: Our greatest miscalculation was that we thought more physicians would mean more competition and they’d lower their rates. And, what we didn’t realize was that everybody did act in accordance with their economic interests.

Despite those emerging concerns over spending, both Medicare and Medicaid have expanded over the years. Medicare—now costs more than 300-billion dollars a year. It serves 42 million Americans. More than six million are under age 65 and permanently disabled. They became eligible in 1972.

JIM MONGAN: There was a strong desire to cover the disabled under the Medicare program but the costs were huge in doing that, so the decision they made was to cover the disabled but only after they had been disabled for two years. That dramatically cut the cost of adding the disabled because it was kind of a Darwinian cost cutting reduction—half the disabled died before they reached the two year period.

*One* exception to that two-year window was for people with end-stage renal disease; an 11<sup>th</sup> hour trade-off with a Senator who had lost a bid to add drug coverage to Medicare.

JIM MONGAN: It was thrown out in the Conference with the House, and about an hour later, the kidney provision came up and Senator Long looked at Chairman Mills and said, ‘look, you didn’t give me drugs, you gotta give me the kidneys.’ And that little bit of log-rolling was successful in that regard.

Still, many people long believed Medicare had gaping holes. In 2003, President Bush and the Republican-led Congress took the first steps to fill one major hole by adding prescription drug coverage.

MARK MCCLELLAN: We're doing a lot of work now just to bring Medicare up to date for the people it was intended to cover, for the promise that we made to seniors and people with disabilities. Keeping that promise is going to be pretty tough in the years ahead as we face the baby boomers and costs keep rising.

*Medicaid* has evolved over the years, as well, from a program for welfare recipients—only—to a safety net for the nation's low-income. In 1984, the link between Medicaid and welfare began to loosen. For the first time, states were *required* to cover some pregnant women and very young children from low-income families.

CONGRESSMAN WAXMAN: There are 25 million low-income children in the program now, they have eligibility for screening and diagnosis for their healthcare status. And it's been an enormous benefit for these kids to have a healthy start, to have a real chance to live out their lives and realize their potential as human beings.

Today, Medicaid is under more cost pressure than ever; with President Bush and the governors engaged in a fiscal tug of war over how much to spend and who should pay. The program costs more than 300-billion dollars and covers 52 million people, including 13 million disabled and elderly. Many live in nursing facilities or receive community-based long-term care services. As baby boomers age and *need* long-term care, costs will climb.

TOMMY THOMPSON: You can't continue on with Medicaid the way it is. I would like to put a bigger burden on the federal government for providing for long-term

care. But, I'd also put in incentives for keeping people in their homes longer instead of going to institutions.

Despite the challenges to sustain the programs no one disagrees that Medicare and Medicaid have improved the lives of millions; that these programs helped create a health care system that might not otherwise exist.

JIM MONGAN: If there wasn't a Medicaid, I can't conceive of there being a nursing home industry. Sure, you would have the high-end assisted living facilities for the wealthy, but you'd decimate the rest of long-term care. Children's hospitals, I believe it's like 40% of their revenue coming from Medicaid; key institutions in every major city in America would be in terrible shape.

ROBERT BALL: lot of care was given that would never have been given if it hadn't been for Medicare, particularly quality of life activities, for example, cataracts, hip replacements. It's not important just for the elderly. What it has done is to relieve the burden on the children of the elderly who, whatever it was, would be most likely to have had to pay for this.

PHIL LEE: It's also done a lot to stimulate and to finance the modernization of a health care system in the United States. I mean, you had hospitals that were reimbursed when they weren't being paid adequately before. They've modernized completely in the period of time from the passage of Medicare till now.

In 1965—at the creation—President Johnson spoke about a nation that is *not indifferent to despair*. John Dingell—who presided over the House vote all those years ago—believes those words, that promise—have been met.

CONGRESSMAN DINGELL: This was an attempt to see to it that we address serious problems. You best judge a society by the way it treats its young, its old, the sick, the unfortunate, those who have the least.

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