S. HRG. 102-519

NOMINATION OF KEVIN E. MOLEY

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

SECOND SESSION

ON THE

NOMINATION OF

KEVIN E. MOLEY TO BE DEPUTY SECRETARY OF HEALTH AND HUMAN SERVICES

FEBRUARY 6, 1992

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THURSDAY, FEBRUARY 6, 1992

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:03 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Moynihan, Baucus, Bradley, Daschle, Breaux, Packwood, Roth, Chafee, Durenberger, Symms, Grassley, and Hatch.

[The press release announcing the hearing follows:]

[Press Release No. M-4, Feb. 5, 1992]

FINANCE COMMITTEE TO CONSIDER MOLEY NOMINATION

WASHINGTON, DC—Senator Lloyd Bentsen, Chairman of the Senate Finance Committee, announced Wednesday the Committee will hold a confirmation hearing and vote on the nomination of Kevin E. Moley to be Deputy Secretary of Health and Human Services.

Bentsen (D., Texas) said the meeting will be at *10 a.m., Thursday, February 6, 1992* in Room SD-215 of the Dirksen Senate Office Building.

Moley became Assistant Secretary for Management and Budget at HHS in 1989. He would replace Constance Horner as Deputy Secretary.

OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS, CHAIRMAN, SENATE FINANCE COMMITTEE

The CHAIRMAN. This hearing will come to order. We are pleased to have you before the committee today to consider the nomination to be Deputy Secretary of the Department of Health and Human Services.

This committee's jurisdiction includes the largest programs administered by the Department of Health and Human Services.

And in your position, you will be responsible for overseeing the managing and budgeting of some of the most important Federal programs that directly affect millions of Americans, such as Social Security, Medicare and Medicaid, and AFDC. Your task will not be an easy one.

In the current fiscal environment, the administration of these very large programs requires that every dollar be accounted for, and little tolerance for inefficiency or error.

At the same time, the American people expect and deserve the highest quality of service.

I defer now to the Ranking Member, my colleague, Senator Packwood.

Senator PACKWOOD. I will have some questions for Mr. Moley, but I have no opening statement.

The CHAIRMAN. Senator Moynihan.

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK

Senator MOYNIHAN. I welcome Mr. Moley, Mr. Chairman. I have to say that I am a little taken aback, given the importance of this position, of a rather cursory six paragraphs of opening statement, none of which address any of the issues that you are going to be managing.

So, I look forward to the questioning and any elaboration you might want to mention. I observe that there is no reference whatsoever to welfare. It used to be the Department of Health, Education, and Welfare, and sheer stupidity under the Democrats broke it up and they dropped welfare.

And, in the process of doing so, a third of American children dropped out of sight. A third of American children will be on AFDC before they are aged 18.

There would be no way to know that was the case, in view of the organizational structure of the present Department. There is nothing you can do about it. But I will look forward to questioning.

The CHAIRMAN. Thank you.

Senator Durenberger.

OPENING STATEMENT OF HON. DAVE DURENBERGER, A U.S. SENATOR FROM MINNESOTA

Senator DURENBERGER. Mr. Chairman, I would like to say a word or two, because I have known Kevin at least since 1984 when he went to work for Carolyne Davis. And while many of the people on this committee have probably met him before in an informal context or another, I have worked with him, I have traveled with him, I have had sort of the unique opportunity to see him at work.

And I, too, would express the concern expressed by my colleague from New York about the lack of breadth in the statement. I think that reflects the fact that for the last 8 weeks, or however long he has known he has this job, he has done nothing but health care reform and things like that, perhaps.

But I could assure my colleagues that he has the breadth, and sensitivity, and he also has the intellectual capability to put the policy implementation responsibilities into the larger context that members of this committee would like to see it put. So, I would strongly endorse his confirmation.

The CHAIRMAN. Senator Chafee, any comments?

OPENING STATEMENT OF HON. JOHN H. CHAFEE, A U.S. SENATOR FROM RHODE ISLAND

Senator CHAFEE. Mr. Chairman, I would like to express my support for the nominee. I, unfortunately, cannot stay; if you could vote my proxy. It has been my privilege to have worked with him on several matters, particularly on the issue of health care reform.

I think he is extremely qualified. I commend the administration, and commend you, Mr. Moley, for accepting the position.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Mr. Moley, if you would proceed, please.

STATEMENT OF KEVIN E. MOLEY, DEPUTY SECRETARY-DESIGNATE FOR THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. MOLEY. Mr. Chairman, Senators, my name is Kevin Moley. I am honored to be here today as the choice of Secretary Sullivan and the nominee of the President, to be Deputy Secretary of the Department of Health and Human Services.

I have served three Secretaries of Health and Human Services, each of whom has chosen to entrust to me positions of increased responsibility.

I currently serve as Assistant Secretary for Management and Budget at the Department. I have served Dr. Sullivan in this position since May 8, 1989. Before that I served on the transition team at HHS.

I have served at HHS since coming to the Health Care Financing Administration in December of 1984 as a Special Assistant to Dr. Carolyne K. Davis, then Administrator of HCFA. I have served as Acting Associate Administrator of HCFA for Operations; then as the first Director of the Office of PrePaid Health Care.

Before coming to HHS, I spent 15 years in the Group Health Insurance Industry, which I believe was excellent preparation for the challenges I have since faced.

In my current role, I have had a broad range of management and policy responsibilities, while at the same time developing an excellent working relationship with Dr. Sullivan.

Mr. Chairman, Senators, on National Health Care Reform, as well as on other issues, I expect to work shoulder to shoulder with Dr. Sullivan and others in the Department and the administration, as well as the Congress, to come up with solutions that serve the American people.

In searching for those solutions, I am reminded of Dr. Sullivan's advice, "do no harm," the first rule of the "Hippocratic Oath." This is particularly relevant in the national Health Care Reform debate where we have almost 14 percent of the GNP and 85 percent of America's insured at stake.

Someone once said, "Democracy is based on the conviction that there are extraordinary possibilities in ordinary people." I can tell you that from this ordinary individual, you will have my complete commitment to the exceptional challenges faced by the Department, a Department that affects all citizens of the nation.

In summary, Mr. Chairman, I believe my experience, both at HHS and previously in the private sector, will stand me in good stead, if, with the consent of the Senate I am confirmed as Deputy Secretary of the Department of Health and Human Services. I will certainly do my best.

I would like to add that I agree with Senator Moynihan that altogether too often the last two words of our title, Human Services,

are forgotten. Health seems to be the preoccupation of most of the press.

I am aware of the hearing, Senator, that you held this past Monday on welfare reform. We expect to have welfare reform proposals before us this year. It deserves a great deal of attention. I have looked at this issue in some depth. Not, I might add, to the degree that I am familiar with health care.

But just last year, the Department, we think, took an enormous step by consolidating those children and family programs into a separate operating division for the first time, putting it on equal stature with SSA, the Health Care Financing Administration, and the Public Health Service.

That is my concluding comment, Mr. Chairman.

[The prepared statement of Mr. Moley appears in the appendix.]

The CHAIRMAN. Mr. Moley, after I listen to your statement, I can understand the comment of the distinguished Senator from New York. It does not deal with the issues. And so, we will try to see if we can develop that.

In listening to some of the early reports in the news this morning about the President's proposal on health, one of the things that really baffled and concerned me is talking about, as I understand it, cutting Medicaid spending as a way to finance the plan.

Yet, the Medicaid program is universally recognized, I think, as one that underpays the health care providers. If you look at the Physician Payment Reform study, it showed that the reimbursement there averaged only some 78 percent of the cost. Whereas compared to Medicare, it was 93 percent of the cost.

I will give you an example on New York. New York paid only $11 for an office visit in 1989, and it would cost the Federal Government about $1.32 billion in 1989 just to bring Medicaid physician payments up to Medicare levels. The report included results of a survey of 50 States showing that 44 have problems with physician participation; 32 of those States have a shortage of obstetricians.

Now, as someone who has been involved in the development of the President's Health Care Reform Plan, how do you explain the rationale for cutting the Medicaid program?

How can the program sustain the cuts without reducing benefits or cutting payments to providers in a program where we already have a problem in attracting providers to see Medicaid patients? Tell me about it.

Mr. MOLEY. Senator, I welcome that question. The fact of the matter is that we are not intending to cut Medicaid spending. We are, however, intending to reduce the rate of growth of Medicaid spending, which currently is over 20 percent annually.

There is some debate about the exact number based on which base year you use, but in the most recent year, we believe it went up some 38 percent. We are looking towards reducing that rate of growth, and we have some strategies that we believe can accomplish that reduction while still enhancing the quality of health care for Medicaid recipients.

Specifically, under current law, the Department has to grant a so-called "Freedom of Choice" waiver if a State wants to have managed care/coordinated care as the manner of health care delivery

for their Medicaid recipients. We would like to flip that presumption.

We would like to have managed care/coordinated care. There are several examples where exceptionally good work was done on behalf of Medicaid recipients—specifically in the State of Arizona; certain examples in the city of Philadelphia; and I know the State of New York, State of California, and others, are moving in this direction.

We would like to flip the waiver presumption so the State would have to have a waiver to have fee-for-service. In certain rural areas of the country, that would obviously be appropriate. But we would like to flip the presumption so that coordinated care/managed care is the form of delivery.

Secondly, we think by virtue of an option which the President will be explaining in detail later today, as will Dr. Sullivan, that, in respect to the tax credit which would go to some 45 percent of those at or below the poverty level who are not covered by Medicaid, a State could take that money, combine it with their Medicaid revenues and the Medicaid Federal share, and create a State-wide system, if they so chose. It would not buy out the base of Medicaid. We would require that they maintain the level of effort.

But, on the other hand, it would alleviate the concern that most Governors have that the Federal Government is going to place increased mandates and increased responsibilities without the requisite resources accompanying them to the State.

We think that option—combining the tax credit with their Medicaid revenues—will enable them to achieve the economy, a scale where they can provide a higher level of care for all of their at-or-below poverty level population far better than is the case today.

The CHAIRMAN. Well, the 20-percent growth that we are seeing now that is taking place in the coverage of Medicaid, most of that is to mothers, infants, and children.

It is something the President supported, and yet, it seems to me that when we are talking about a 78-percent coverage of the costs, when you say you are going to reduce the rate of growth even with managed care, it sure looks to me like you get below the 78 percent. And I think that adds to the problem.

I would like to also have your counsel on something else. The top administration priority last year was to curb the States' use of voluntary donations and provider-specific taxes to finance their Medicaid program.

We went until late in the night here trying to resolve that thing, finally. Outside the floor of the Senate it looked like a Turkish bazaar as we had people bargaining with the administration on that.

And, as you know, Congress passed a compromise negotiated between the administration and the Governors, intended to see that the States used proper sources of financing.

Now, the law gives the States until October or later to implement the new rules. But many State Legislatures are meeting now. They must determine their new financing structures within the next few months.

I was meeting with my own Governor of the State of Texas, and she was talking about the fact that we need to see the guidelines so

we know what to do in this complicated area. We want to be in compliance. We want to try to work it out.

I understand that one of your functions as Deputy Secretary will be to oversee the relations between States and the Federal Government.

Can you tell us when the States can expect specific guidelines with respect to provider donations and taxes, and what assurances do the States have that they can rely on that guidance; they are not going to be facing changes in those regulations?

Mr. MOLEY. I think the second part of your question is extremely relevant, given the proposal the President is putting forward, because it might be an easy temptation, Mr. Chairman, to suggest that by virtue of our providing a tax credit which will provide a reimbursement mechanism for the uninsured and all those at-or-below poverty, that it then might be easy to suggest that we would reduce disproportionate share payments, which are a part of that agreement, as you well know.

There is nothing in the President's proposal that is intended in any way to compromise the agreement that was made between the States and this administration in respect to disproportionate share payments. Those payments related to the whole issue of taxes and donations.

However, I might say that we think it is well worth looking at disproportionate share payments on the Medicare side of the Federal equation in terms of what are the financing methods that one might look at to provide the monies for that tax credit.

On the first issue of when you can expect to see guidelines, I am not exactly sure. I have spoken to Dr. Gail Wilensky at HCFA about this within the past couple of weeks. I know that they are working on them. I know that they are expected out shortly. But at this point, I cannot give you a specific date, Senator.

The CHAIRMAN. Well, I must emphasize how important it is that we get them, and finally when we get them that we leave them there. I defer to Senator Packwood.

Senator PACKWOOD. Mr. Moley, you have been on the inside sufficiently long that you have probably heard every issue that has ever been raised in terms of health reform, so let me ask you this question.

Every year we pick away at the edges of Medicare or Medicaid, or try to figure a way to get health costs down, and we do not succeed.

Dr. Reischauer, the Head of the Congressional Budget Office, testified maybe 6 months ago, in his judgment, absent any change of law, by 1996, health would take 20 percent of the Gross National Product.

Now, that is the highest I have heard. I have heard people say 20 percent by the end of the century, but, in any event, it is going up. And all of our nibbling does not stop it.

What kind of decisions—and maybe they are political or philosophical rather than medical—are needed to get health costs back to nine or 10 percent of our Gross National Product in this country?

Mr. MOLEY. Senator, as you may know, on the private side of the equation in health care, costs are rising at approximately 9 or 10 percent. In Medicare, they are——

Senator PACKWOOD. Wait. I do not mean rising. I mean getting it back to 9 or 10 percent of our Gross National Product.

Mr. MOLEY. I do not know, even under the President's proposal, that we can expect, given the aging of our population and the increasing technology that is becoming available to us, to see the share of GNP much below 10 percent.

That, of course, does not take into account the rate of growth of the rest of the economy, which is obviously critical to whatever percentage health care expenditures take of GNP. But, having said that, there are a lot of things we can do and which we are proposing to do.

Currently, we have, as you know, Senator, 34 million Americans who are uninsured. Those 34 million Americans, although uninsured, still show up in our health care expenditures.

They show up too late and too sick at the back door—that is, the emergency room door of health care facilities—thereby costing us tens of thousands of dollars per incidence, in many cases, and billions of dollars in excessive costs.

It is the President's proposal's intention to have those people provided with a health insurance package that would provide them with preventive and primary care so that they can show up at the front door and not the back door, thereby, we think, saving the system billions of dollars. That, in itself, will not be enough.

There are numerous other reforms, including, of course, medical malpractice, which is not just reflected in the cost of malpractice insurance premiums, but shows up in respect to some $15 to $20 billion of defensive medicine that we believe is practiced not on behalf of the benefit of beneficiaries or the insured population, but just to prevent the possibility of malpractice liability.

There are administrative costs that are excessive in our system that need to be weaned out, and the President proposed that as well.

Senator PACKWOOD. Well, let me pursue it a bit further. Can we do it without reaching a fundamental decision that we are going to ration medical care?

Mr. MOLEY. In the sense that rationing is known in Canada and elsewhere, this administration clearly does not believe that that should become necessary. We do believe, given the fact we spend $800 billion—over $2,800 per capita—that clearly it is within the excesses currently in the system's ability to pay for covering all Americans with basic health care.

Providing universal access to affordable health insurance is the goal of the President's proposal. We think it can be done. We think it can be done building on the best parts of our system, while reforming, quite frankly, parts of our system which are badly in need of radical reform, particularly the small insurance market.

Senator PACKWOOD. So, without limiting anybody in the kind and quality of care they could have with just the reforms you are suggesting, we can start to see medical cost decrease as a percent of our gross national product, and forget for the moment whether it grows at 2 percent or 8 percent. I understand what you are saying.

But without any limiting or rationing and bringing everybody under coverage, we will be able to significantly reduce health costs as a percent of our Gross National Product.

Mr. MOLEY. Once again, I am not sure whether we want to say substantially reduce as a percentage of the Gross National Product, because, as I said, that relates, in great measure, to the growth of the rest of the economy.

But I can say within an $800 billion system, not just the reforms I mentioned, but outcomes research and the whole effort in respect to effectiveness; what works and what does not; the President's proposal in respect to malpractice reform; all these measures will help the administration meet its goal to provide universal access to primary health insurance to all Americans.

And, I might add, Dr. Sullivan has spoken at great length about modifying behavior in this decade. And oftentimes we have been accused of suggesting that in lieu of health care reform.

Now we will have a health care reform proposal of the President, and I would suggest that that has to be accompanied by major behavioral changes by our population in this decade, or no health care reform; not Canadian-style, not play-or-pay, nor the President's proposals will be able to succeed.

Senator PACKWOOD. With that, I totally agree. I think if there were a little bit more Seventh Day Adventist or Christian Scientist in all of us, we would significantly reduce the health cost of this country without any other actions. And it is not impossible. We have had success on smoking; we have had success on seat belts. You can change behavior, and with that I agree.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. I could say to my respected friend from Oregon, behavior can change. I agree with that. Whether you can change it, I am not so sure.

Mr. Secretary, congratulations for your being here and all that you have done so far, and thank you for your remarks about welfare, and I will stay with that for a minute.

Because I think it is so clear that what is happening is we are seeing a Department of Health emerge on its own out of the dynamics of the issue and there is scarcely any government that I know that does not have a Department of Health—we do not.

But in the process, the Human Services just gets lost. And maybe a Department of Social Security separate from it would be a better way to do it; maybe not.

You are aware, sir, that even as we are talking about raising government expenditures or expanding them on health, from Maine to California there is a movement to cut welfare benefits. You saw what Governor Weiker proposed—liberal Democratic Governors, conservative Republican Governors across the spectrum.

Would you know offhand how much the benefits for children under AFDC have declined in real terms since 1970?

Mr. MOLEY. No, Senator, I would not. I do know they have declined, and I do know that there are a number of States that are proposing further decreases and a whole host of other "reforms" in respect to AFDC.

I do know that we have twice as many elderly in this country as we have children. We spend five times as much on our elderly as we do on our children.

Senator MOYNIHAN. You have got the elderly side because you have been in the health business, and there is no reason you should not.

But it would seem to be—this is not a criticism, but just an observation—the benefits for children under Social Security have been reduced 40 percent since 1970. I do not think anybody should be on the fifth floor of that Department without knowing. Dave Durenberger is agreeing.

What proportion of American children, would you say, sir, will be on welfare before they are aged 18?

Mr. MOLEY. Sir, the most recent study we have, as you may know, goes back to 1978. And that study showed that the chances of a child being on welfare between the ages of birth and 18 are approximately 25 percent.

Seventy-two percent of black children will be on welfare at some time before their 18th birthday, based on that study. As I said, that is a 1978 study, and unfortunately we do not have anything more recent.

Senator MOYNIHAN. That is awfully flattering of you, but it is a study I published in America Magazine last spring. We did it, working with Mr. Gerry. The 22 percent and 72 percent, those are the historical figures for the cohort born in 1967, 1968 and 1969, which we got from the Michigan Panel Study of Income Dynamics.

You did not get them in 1978 because the people had not turned 18 in 1978. We dragged them out and we worked together with your people—very good people; Gerry, Barnhart.

We can show you that 72 percent of all black children born in the late 1960's were on AFDC before age 18. And the projections for the population for the cohort in 1980—they gave you the right study but the wrong date.

We projected, in that cohort, 30.2 percent will have been on welfare, and in minority children, 83 percent, which is probably high. But it is 80 percent. Think about it—80 percent. And that means you are a pauper. What are the assets allowed an AFDC family under Federal legislation?

Mr. MOLEY. Sir, we are expecting that the poverty level for a family of four in 1992 will be $13,850.

Senator MOYNIHAN. The assets. That is the difference, you see.

Mr. MOLEY. Well, as you know, assets is, as you have just indicated, a very different figure than the poverty level. I am not exactly sure what that would be. There are assets that can be accumulated well above the poverty level, as you know.

Senator MOYNIHAN. Would you tell us what the assets level is? It is now $1,500. If you have more than $1,500.

One last question, or just a statement. The Senate did pass unanimously 2 weeks ago the Welfare Dependency Act of 1991 to start getting a regular report on these things.

And we got the support of your Department, for which we thank you; we got the support of OMB. And if we could find some people over in the House, we might start getting these numbers regularly presented in a way they become part of the national debate, where-

as, for the moment, anything anybody wants to say, who knows, it goes.

Thank you very much. But you do take my point that this is a bigger issue than the organization or the Department would suggest.

Mr. MOLEY. Sir, any time that we have 20 percent of our children in poverty, it is obviously an issue we have to address.

The CHAIRMAN. Thank you.

Senator Durenberger.

Senator DURENBERGER. Thank you, Mr. Chairman. Mr. Moley, let me underline the comments that the Chairman made about Medicaid and about the Donations and Contributions Guidelines. You have been around this issue and went through this period of time when the leader of this committee stuck his neck out, despite what is going on in his own State and 31 other States in this country, to find the solution to the problem, when a lot of people did not want to find it.

And it is really critical to everybody on this committee who went along and got their necks on the same line that somebody would be able to respond definitively to that particular issue.

The second thing I need to say from this side of the aisle is that I had certainly hoped—and I guess I still hope, because the plane has not quite landed in Cleveland—that the President's speech would be a lot more like a Moynihan-Bentsen speech than a partisan speech; that he would talk about the social fabric of this country; that he would talk about community; that he would talk about behavioral problems; that he would talk about putting some public responsibility back into public health; and that he would talk about the failures of all of us to deal with these issues, and then get on to his coverage plan. That traditionally has been the approach that people on this committee have taken because of the breadth of the policy concerns from the Social Security Act, the tax policy, and so forth.

And I must also say that having confirmed this to be a fact, because there are a couple of people on this committee who have played leadership roles in the health policy area who are not on partisan bills, that the failure of consultation in this process, which was fairly clear—Bill Gradison became famous last week because he was not consulted with—but I do not think the leadership of this committee was consulted with either.

And at least the Chairman of this committee is the author of one of the foundation pieces of legislation on which this President, or any President, is going to have to build any health care reform.

And I want to say you are a political person, as well as a policy person. That is supposed to be one of the contributions you make to the Secretary. I appreciate the difficulties that you and the Secretary have had over the last few weeks. I am not sure that other members of this committee would appreciate that.

And I think you carry a very substantial burden through 1992 of sorting out the partisan politics from the kind of small pea politics here that are trying to make real non-partisan, non-political, non-Republican, non-Democratic progress in health care reform.

And maybe I do not have to lay that message on you, but through you to some larger audience someplace that that has not

really been very responsive to the realities of the health reform process.

So, having said that, I have a lot of hopes and a lot of expectations, as does everybody on this committee, that you are going to be effective because of your relationship with the people involved here, and that you are going to be effective in recognizing all of the politics, if you will, in this whole debate.

So, Mr. Chairman, I do not have any further questions at this time.

The CHAIRMAN. Well, I thank the Senator for his generous comments. Mr. Moley, I am going to leave my proxy vote for you, but I had committed myself to something downtown—a speech I had to make--and we moved this up for you in trying to accommodate the Secretary. So, I defer now to the Senior Senator from New York.

Senator MOYNIHAN. Senator Hatch. Even those who are the lowest shall be exalted. [Laughter.]

Senator HATCH. Well, I appreciate that thought, coming from you.

I am pleased to be here this morning for the confirmation hearing of Kevin Moley for the position of Deputy Secretary of the Department of Health and Human Services, and I have to say, Mr. Moley, your whole life has been a success story. You have succeeded in all of your previous posts, and certainly at the Department of Health and Human Services.

And, as we struggle with the issue of how best to reform the health care system, I think it is going to be extremely important to have somebody like Kevin Moley down there at the Department of Health and Human Services because of his experience in the Health Care Financing Administration, and as Assistant Secretary of Management and Budget.

Now, I can tell this committee that Kevin is a straight-shooter. We will always know where he stands. He is a good team player. He always, in my opinion, has the best interests of the American family in mind as he makes these policy decisions. He is precisely the type of person you want in these positions.

I cannot, of course, pretend that this committee is always going to agree with Kevin Moley's or the Department of Health and Human Service's position on every issue, but I am certain of one thing: that he will honestly and ably convey to this committee the Department's and the administration's views as we consider the important issues up here.

This is a bigger job than before, and I know that he will do it well. I certainly urge my colleagues to support this nomination. But let me just ask you a couple of questions, Mr. Moley, if I can.

I notice that the Department has substantially increased funding for Head Start. Do you think we are beginning to see results from these investments?

Mr. MOLEY. I think we have not only started to see; we have seen extraordinarily good results from Head Start. As you know, we have substantially, in fact, doubled the funding since the President has been in office on Head Start. Many, of course, would like us to do even more, and over the coming years, I am sure we will.

I think one of the problems we are seeing is not in respect to the children we are covering in Head Start. It is what is happening in

the third, fourth, and fifth grade for those children who have done well in Head Start, have started school ready to learn, and then after fourth or fifth grade, are starting to see the diminution of those benefits that are accrued to them by having been in Head Start.

Yes, we want to have Head Start available to all families who are eligible and interested in having them participate; 4-year-olds, particularly.

Our evidence, as you know, Senator, is that we know absolutely the benefits of at least 1 year of Head Start experience. We want to get the children into that program, get them into it for the 1 year at a minimum, and the President is committed to doing that. We are concerned about losing the beneficial effects of Head Start sometime midway through grade school.

Senator HATCH. Governor Bangerner, from our State, was in this week, and, as he often does, expressed great displeasure with the problems of Federal mandates on the States. And I would just like to have your general views with regard to Federal mandates on the States.

Mr. MOLEY. Clearly, we think we have run up against the wall, particularly in the Medicaid mandates that have been proposed in the past years.

And, as part of the President's proposals, as I may have mentioned to other members of the committee earlier, Senator, we are proposing this afternoon in the President's plan that a State be able to take the tax credit money that we will be giving them—$1,250 an individual for everyone at-or-below the poverty level—and combining it with the Medicaid funding that they are currently expending at the State level; as well as with the Federal matching money, and be able to transition into a State-wide program of access for all of their at-or-below poverty line people.

That does two things. That alleviates Governors of the concern that we are going to continue along this path of increasing Federal mandates without the requisite resources that should accompany them.

Secondly, we are giving them money that they can use in the manner that they best see fit in combination with maintaining their level of effort for Medicaid to more adequately cover everyone at-or-below the poverty level.

So, we would agree with Governor Bangerter that continuing Federal mandates without providing the requisite resources is not the way to go, and the President's proposal will take that on directly this afternoon.

Senator HATCH. Thank you. I want to congratulate you and your wife, Dorothy, and your family on this wonderful opportunity that you have.

And it is at a time that promises to be one of the most exciting times in our country's history, and it is at a time when we are going to make either tremendous mistakes in our health care system, or we are going to take some good, effective, intelligent approaches that might get us on a path toward a system that might work. I have confidence that you are one of the people who can help us to get there. I just want to congratulate you, your family, and those who are with you here today.

Mr. MOLEY. Senator Hatch, thank you very much.

Senator MOYNIHAN. Mr. Moley, we are going to report you out in about 5 minutes. But before you do, I am going to ask one condition. You said about Head Start that we "know absolutely."

And I have been involved in this work for 30 years, and there is nothing that I know absolutely; and some things I think I know approximately.

And I do not know at all even approximately what you seem to know absolutely, having read Professor Furt's longitudinal studies.

Can you undertake, if reported out, to give us a statement of as many pages as necessary of what it is you know absolutely on Head Start and how you deal with it?

Mr. MOLEY. I would agree it will be a very short statement, Senator. [Laughter.]

Senator MOYNIHAN. Then we are getting somewhere.

Senator Baucus.

Senator BAUCUS. I thank the Chairman. Mr. Secretary, you may have seen this data. I was just struck with a poll that I saw in the New York Times last year. It was a five-part series on the Canadian health care system.

And, in that poll, as I recall, it listed various industrialized countries in the world and asked the question of the people in those countries whether they were satisfied or dissatisfied with their health care system.

As I recall the poll, the results were quite dramatic and quite stark. Namely, the Canadians were at the top of the list. That is, Canadians—56 percent, as I recall—liked their health care system.

The United States was at the bottom. Only 10 percent, roughly, of Americans approve of, and feel comfortable with, and like their health care system. And obviously many more Americans dislike American and fewer Canadians dislike the Canadian.

What absolute or approximate conclusions can you draw from that?

Mr. MOLEY. Well, the approximate conclusions I draw is that obviously Canadians are, in large measure, pleased with their system.

Senator BAUCUS. Why would that be?

Mr. MOLEY. It is for some very good reasons, and we are not here to trash the Canadian health care system. Having said that though, let me be blunt. The fact is that Canadians have excellent primary health care for virtually all of their citizens.

They have excellent primary health care when their citizens need primary health care; they have excellent primary health care when their citizens need elective surgery; they have excellent primary health care when those who need elective surgery decide to go to Seattle, or Buffalo, or Detroit for acute care.

Having said that, we have Americans—in the Upper Peninsula in Michigan, and maybe even in your State, Senator—who now go to Canada for primary care. And we, in fact, would like to replicate having primary care, preventive medicine, if you will, available to all of our citizens.

But it can only succeed in Canada, in our view, when 90 percent of its citizens live within 100 miles of the highest quality acute care facilities in the world in the United States.

Senator BAUCUS. Let us get into that a little bit. What percent of Canadians go to the United States for acute care?

Mr. MOLEY. Very few. And having said that——

Senator BAUCUS. And the next question, why does that very low percentage go to the United States? Let me answer my own question.

Mr. MOLEY. All right.

Senator BAUCUS. I was in Canada asking these various questions just a few months ago, and, frankly, the answer I got from Canadian health care providers is that the vast bulk of them go to the United States for status. It is a big deal.

They go to Seattle, or go to Portland, or go to Mayo, or go to Rochester, or go to Houston and spend quite a bit of time. It is a big deal. Wealthy Canadians like to do that because it is status. It is not as much that it is needed; it is more because of status.

And I have just got to tell you that over and over I asked Canadian doctors, senior citizens, hospital administrators, what about the quality of health care in Canada? American doctors think it is not as good as health care in America, or American hospital administrators think it is not as good as health care in America.

But in listening to the music, as well as the words, and reading between the lines, it is my sense, just anecdotal—I had just a couple of days asking lots of questions—that medical care is about as good in Canada as it is in the United States. There are a few cases where a Canadian, for acute care, must go somewhere else, but there are very few.

And I just wonder if those very few can somehow be accommodated in a system if we change ours to have more of the benefits of their system.

I do not know that we should let perfection be the enemy of the good, is what I am saying. We are never going to get the perfect system, but I think, at least according to data—that is, according to the respondents who answered poll questions—the Canadians think they have a very good system. It is not perfect, but it is good. If there is some way we can change what we have so most Americans think it is good, we are going to be a lot better off.

I also, frankly, found that Canadians do not mind the so-called rationing that you mentioned earlier. As you know, the rationing is that if it is cardiac bypass or hip replacement—something that is not life threatening—you are put on a waiting list, and that is true.

But some Canadians get around that very easily. They just go to another city to get their hip replacement where there is not a waiting list, or to some other city to get their coronary bypass where there is no waiting list. They deal with it. It is no big deal.

They like their system. They like it because they trust it and they know that if they are sick, and they have got health care problems, they go straight to their doctor—they choose their doctors—straight to their hospital, and they are taken care of, no questions asked, no paper work.

It is that confidence, I think, that goes a long way in explaining why the Canadians like their system. They do not mind the selective queuing up for non-essential care. They will deal with it.

But they do know that when they need help, they get it, they get it right away; no paper work, no fuss, no muss. I think that is one main reason why they like the system.

Mr. MOLEY. Right.

Senator HATCH. Would you care to respond to that? I would not mind hearing your response.

Mr. MOLEY. Thank you, Senator Hatch. Senator Baucus, I think, clearly, you have set forth an excellent argument on behalf of those who are in the coming debate.

And, as you know, there is obviously going to be a coming debate between those who will advocate, as the Department will and I will, that we build on what we believe is the best and highest acute quality care system in the world and expand it to provide preventative and primary care to all of our citizens, not just the 85 percent who are currently covered. And there are those who would advocate a Canadian-style system.

We do think that there are problems in Canada. We think that they have a very aging infrastructure that although, clearly, we may have too many MRI's in the United States—that we clearly believe—I know Dr. Sullivan feels this strongly—that they have too few.

That it is not just status, although that certainly may play into it, that people from all over the world come to Mayo, come to Houston, Texas, come to the Cleveland Clinic for health care.

As I said, we do have the highest technological innovation. Dr. Sullivan repeatedly makes the point that we have more Nobel laureates in biomedical research than the entire rest of the world combined.

We do not believe that is by accident. We believe that is, in part, by virtue of the incentives in our system. We are interested in maintaining that. We are not interested in simply making an argument about why we do not want Canada.

We think Canada may work for Canadians, but we do not believe it would work nearly as well for the diverse, heterogeneous population we have here in the United States. We think we should build on the current system.

Senator BAUCUS. You mean health care should be according to cultural diversity? Did I hear you say that?

Mr. MOLEY. No.

Senator MOYNIHAN. Or do you mean that all Canadians or Scots or French-speaking?

Mr. MOLEY. No. And we certainly recognize that in Canada that the central planning, if you will, comes not from the Federal establishment in Ottawa, but, in large measure, province by province.

And we recognize there are different kinds of difficulties province by province. We have different situations, certainly, in Utah, than we have in New York, than we have in Montana, and elsewhere.

And we think, by virtue of the President's proposal today, particularly on Medicaid, combining the tax credit money with the Medicaid expenditures currently being made will enable States—Oregon, and other States—to come forward with proposals to cover virtually all of their vulnerable population—the people at-or-below poverty level—and others as well.

Senator BAUCUS. Well, you make some interesting points, and I think there are a lot of good points. For example, it is interesting, the Province of Alberta has only two or two-and-a-half MRI's. The State of Montana has 10.

Now, I think every doctor in Montana would say we have too many. We do not need 10 MRI's in Montana. But I think most physicians would say that Alberta, with a population of three to four times that of Montana, should have more than two or three.

But all I am saying is, again, let us not let perfection be the enemy of the good here. Canadians think they have a good system, and I think there are good reasons why they think they have a good system. And let us move toward serving our people. Thank you.

Senator MOYNIHAN. Did Senator Packwood wish to say something?

Senator PACKWOOD. No. Only the comments on absolutely. I used to know a lot of things absolutely until I got into this business.

Senator MOYNIHAN. Yes.

[Whereupon, the hearing was concluded at 10:50 a.m.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF KEVIN E. MOLEY

Mr. Chairman, Senators, my name is Kevin Moley. I am honored to be here today as the choice of Secretary Sullivan and the nominee of the President, to be Deputy Secretary of the Department of Health and Human Services.

I have served three Secretaries of Health and Human Services, each of whom has chosen to entrust to me positions of increased responsibility.

I currently serve as Assistant Secretary for Management and Budget at the Department. I have served Dr. Sullivan in this position since May 8, 1989. Before that I served on the transition team at HHS.

I have served in positions of ever-increasing responsibility at HHS since coming to the Health Care Financing Administration in December of 1984 as a Special Assistant to Dr. Carolyne K. Davis, then Administrator of HCFA. I have served as Acting Associate Administrator for Operations at HCFA; then as the first Director of the Office of PrePaid Health Care.

Before coming to HHS, I spent 15 years in the Group Health Insurance Industry which I believe was excellent preparation for the challenges I've since faced.

In my current role I have had a broad range of management and policy responsibilities while at the same time developing an excellent working relationship with Dr. Sullivan.

Mr. Chairman, Senators, on National Health Care Reform as well as on other issues, I expect to work shoulder to shoulder with Dr. Sullivan and others in the Department and the Administration as well as the Congress to come up with solutions that serve the American people.

In searching for those solutions, I am reminded of Dr. Sullivan's advice, "do no harm" the first rule of the "Hippocratic oath." This is particularly relevant in the National Health Care Reform debate where we have almost 12.3 percent of the GNP and 85 percent of American's insured, at stake.

Someone once said, "Democracy is based on the conviction that there are extraordinary possibilities in ordinary people. " I can tell you that from this ordinary individual you have my complete commitment to the exceptional challenges faced by the Department, a Department that affects all citizens of the nation.

In summary, Mr. Chairman, I believe my experience both at HHS and previously in the private sector will stand me in good stead, if, with the consent of the Senate, I am confirmed as Deputy Secretary of the Department of Health and Human Services.

Attachment.

DEPARTMENT OF HEALTH & HUMAN SERVICES,
OFFICE OF THE SECRETARY,
Washington, DC.

KEVIN E. MOLEY, ASSISTANT SECRETARY FOR MANAGEMENT AND BUDGET, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Kevin E. Moley was named Assistant Secretary for Management and Budget, Department of Health and Human Services, May 8, 1989, by HHS Secretary Louis W. Sullivan, M.D.

Mr. Moley advises the Secretary on management, budget, and policy issues. He is responsible for overseeing development of the Department's budget and providing Department-wide guidance on budget, implementation and execution, and general

management operations. Mr. Moley also serves as Chief Financial Officer of the Department as well as a member of the Steering Committee of the Government-wide Chief Financial Officers' Council.

From June 1986 to August 1988 he was with HHS as Director of the Health Care Financing Administration's Office of Prepaid Health Care. Before that, starting in December 1984, he was Confidential Assistant to the HCFA Administrator and then served as Acting Administrator of Operations for HCFA.

Between September 1969 and August 1974, Mr. Moley worked for CNA Insurance Company of Chicago as District Group Manager and from August 1974 to December 1983 for the New England Life Insurance Company in marketing and underwriting management positions.

Mr. Moley served as Director of Advance for the Bush-Quayle Presidential Campaign, as Director of Events for the American Bicentennial Presidential Inaugural, and was with the HHS transition team. He also has worked for the Republican National Committee and for the 1984 Reagan-Bush presidential campaign.

In the fall of 1989, Mr. Moley served as Director of the President's Education Summit with Governors in Charlottesville, Virginia.

In the fall of 1990, Mr. Moley served as Executive Director of the US/Pacific Island Nations Summit held in Honolulu, Hawaii.

Mr. Moley was recently appointed Vice Chairman of the President's Council on Management Improvement and has been chosen to serve on the Steering Committee of the National Health Policy Forum.

Mr. Moley served in the United States Marines in Vietnam and was awarded the Navy Commendation Medal w/Combat V and the Purple Heart.

He resides in McLean, VA, with his wife, Dorothy, and son, Damon.