

Programme OPERA – ENTRETIENS

Entretien – santé n°38

Pour citer cet entretien : Beaussier, Anne-Laure, Entretien santé n°38, Programme OPERA (*Operationalizing Programmatic Elite Research in America*), dirigé par W. Genieys (ANR-08-BLAN-0032) (*insérer hyperlien*).

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Responder: Yeah, I spend half my time in Washington in the law firm, where I represent mainly healthcare companies who are involved in healthcare policy, so, hospitals, nursing homes, insurance companies, dialysis-- kidney dialysis companies. Fresenius, for example, a German company.

Interviewer: Okay.

And I spend half my time doing that and I have 14 people here who work in my part of the law firm.

And then I spend the other half of my time in New York. I spend exactly here and half in New York, where I'm a partner in an investment firm. And that firm buys and sells-- I have 14 partners and half of us do healthcare, which is what I do, and half do kind of telecommunications/IT work. Just an accident of history.

Okay.

I do all healthcare, but we have a big private equity fund and we own 32 companies, mostly-- all in the U.S. and 16 of them, 17 of them, are healthcare companies.

Okay.

So, we own-- what I do is I try to find healthcare companies to buy and, you know, we represent large pension funds like the California State Teachers Pension Fund, the New York State Teachers Pension Fund. They give us money to invest.

Okay.

So, we have currently a \$4 billion fund that we invest, and we basically buy and sell hospitals, and, you know, largely big companies. So, we own a wide variety of healthcare companies.

Yeah, like hospitals, insurers.

Well, we own about a \$3 billion per year hospital company that owns half the hospitals in Tulsa, Oklahoma, and half the hospitals in Albuquerque, New Mexico.

We own a big company that owns-- called Select Medical that owns a lot of rehab hospitals, outpatient rehabilitation therapy centers, specialty hospitals.

We own something called U.S. Oncology that is a physicians-- about probably 15% of the oncologists, which are cancer doctors, in the country work for U.S. Oncology.

We own a lot of companies like that.

Okay.

But you can look at our website and see the companies we own. It's called Welsh, W-e-l-s-h, Carson, C-a-r-s-o-n, Welsh, Carson.

So, I spend half my time in Washington doing regulatory work and half my time in New York trying to buy-- find healthcare companies to buy.

Okay, regulatory it's--

Two completely different jobs.

Yes, definitely.

I took 170 shuttles, flights to New York and back, last year, one way or the other.

Okay.

So, that shows I spend a lot of time on airplanes to New York and back. It's not very fun.

I imagine. And it's very different from your work when you were in the CMS?

You know, I've been in healthcare for a long time. You know, I was the regulator at CMS. You know, when you're in the government, you try to do what's best for the taxpayer every day, and so-- you know, the issues were very similar. Now I'm an advocate and I'm trying to buy companies, but they're all the same companies I used to regulate.

Okay.

So, when you're in the government, you spend the time trying to make sure the taxpayers get a good deal and when you're on the outside, you spend time trying to, you know, figure out which companies are going to do better than others and buy them.

Okay.

So, it's the same substantive area, it's just a totally different angle. Does that make sense?

Yes, definitely. Can you describe, maybe, your work when you were on the CMS?

Busy.

Yeah.

It's a big agency. It probably has \$800 billion a year in spending. So, it's bigger than the Pentagon, bigger than the Defense Department. It's all of Medicare, all of Medicaid, which are the two big U.S. healthcare programs. It's got about 5,000 employees, and about 52,000 contractors, employees that work for contractors.

So, Medicare, which is our seniors, you know, over 65 and disabled program, is really not run by the government. It's run by Blue Cross plans, if you know what Blue Cross plans are?

Yes.

Okay. Under contract. So, Medicare makes up the rules, CMS makes up the rules for how you're going to pay doctors or hospitals or nursing homes, but the actual payment processing, the insurance claims function, is really done by Blue Cross plans under contract to the government.

Okay.

So, if you're a hospital or a doctor, your actual check for Medicare is coming from Blue Cross of New York or Blue Cross of Pennsylvania or something like that.

Okay. It's just this firm? It's just Blue Cross.

There are many Blue Crosses. Every state has one or two Blue Crosses. There are others, too. I'm exaggerating.

For example, when I was there -- this is very complicated. I passed reform. It used to be there were 51 what were called fiscal intermediaries or carriers. One is for doctors. One is for hospitals. There are two different parts of the program and they were the contractors.

So, Medicare used 51 different -- fiscal intermediaries used to be what they were called. If you were paying a hospital, you were called a fiscal intermediary. If you were paying a doctor or something related to doctors, you were called a carrier.

Most of them, 51 of the 52, were Blue Cross plans. They were all very independent. Every state-- it's an accident of our healthcare system, but the original health insurance system in this country started off with the hospitals and the doctors getting together and creating voluntary insurance companies, local insurance companies. And Blue Cross was the doctor part and Blue Shield was the hospital part.

Hospital part, yes.

And they basically got the idea of using those local non-profits. Some of them, over the years, became for profit. Okay, but almost every state -- like California has two. California has a

company that's named Blue Cross of California and it has a company called Blue Shield of California. They have nothing to do with each other.

Okay.

Eastern Pennsylvania has Blue Cross of-- Independence Blue Cross for the eastern part of the state and High Mark for the western part of the state. Every state's different and there are a lot of them.

Okay.

So, there were 52 contractors that had checkbooks from the government, that wrote checks for the government, when I was there. One of the reforms that I pushed through when I was there -- and it's happening right now -- is they went from 52 to 15. So, as of the end of next year, there will only be 15. There'll be 15 contractors left and they're now called Medicare administrative contractors or MACs, M-A-Cs.

Okay.

Does that makes sense?

Yes, sure.

It was because when I came in-- I was in the White House. I worked for President Bush number one in the White House 15 years ago.

Yes.

And when I was there, we had 100 contractors.

A hundred?

We had 100 different Blue Cross plans and contractors working for Medicare. And I was-- I thought it was crazy and so I started some reforms back then.

In the OMB?

When I was at OMB, which is part of the White House, and then I had a different job in the White House later.

When I came back 10 years later, I said we've still got 52 contractors. What's going on? And I thought it was crazy.

So, one of my reforms was trying to consolidate that, which has caused a lot of chaos, but we now are in the process, it's a three-year transition, of going from 52 to 15. So, there will now be 15 Medicare administrative contractors. So, the country's broken up in 15 regions and not-- much more efficient.

Much more efficient.

Lower costs.

And you said lower costs, yes? Okay. And is it a reform you pushed when you--?

Yeah. Well, Congress passed it, but I was the pusher.

Okay. And I'm very interested in that kind of things, because I have heard that you took a part, a very important part, your expertise in the MMA, also--

Yeah, um-hmm (affirmative).

So, in this reform, too. So, can you, yeah, explain to me how this reform passed the process?

It took years. Well, I went back in the government largely to get the Medicare drug benefit passed.

Okay.

So, when I worked for President Bush number one, in 1989, my first job was to try to-- there was an initial Medicare drug benefit that President Reagan had passed in 1988 and it was repealed by Congress in 1989.

The catastrophic--

Over my-- I was the staff person who was supposed to save it. In other words, President Bush didn't want it repealed.

Okay.

So, it was repealed over my prone body.

Okay.

So, I always thought that should have passed, and I always thought seniors needed the drug benefit. But I also thought it needed to be done in a competitive way where the government was not fixing prices, because the problem with the Medicare program, as much as I like the Medicare program, is that I think it distorts the healthcare system, because the government pays every doctor and every nursing home and every hospital the same thing.

So, if you pay every-- I don't know, I can't remember what France does, but if you pay every doctor the same thing, you know, if you pay a doctor who's 29 years old and just got out of medical school the same thing as a 55-year-old who's the best doctor in Washington, the incentives are very good, because the best doctor in town or the worst get paid the same, what are they going to do? They're going to try to do as many procedures as they can, which is what happens--

Okay.

--in my opinion, in our system. I just don't think price fixing works. When the government fixes prices, I believe you get volume explosions and very little competition over price and quality.

So, I was determined to push through a Medicare drug benefit because I think poor seniors needed it, but I also thought it needed to be done in a very competitive, capitalist way that created the right pressures for the market to drive prices down. So, I felt strongly about that.

And so, when I went in and took the job to run CMS, my major-- the major reason they hired me, I think, and the major reason I did it, well, one, Secretary Thompson, who was running Health and Human Services then, asked me to and President Bush asked me to. But two, I think they brought me in because they thought I was-- had good legislative skills for the Congress.

Okay. What do you mean by--?

Well, I knew a lot of members of Congress.

Okay.

I became very controversial, as you may have read, but I wasn't when I came in. I was confirmed by the Senate 100 to nothing. Most of my biggest supporters were Democrats. I'm a Republican. Most of my biggest supporters when I came were, you know, were Democrats. I had a lot of friends that were Democrats, and I was perceived to be very bipartisan.

Okay.

And so-- and if you go back and read in 2001, most people thought George Bush, George W. Bush, was not serious about a drug benefit and that he was just talking about it and wasn't planning to do it. It just seemed to be a Democratic issue.

Um-hmm (affirmative), yes.

And so I was given the direction, along with a couple other people in the White House, to come up with a drug benefit plan. And from the first day, and from the first day I had a pretty open, you know, whatever I wanted to do that made sense.

So, the first thing we came up with, if you go back and read this history, was what was called a Medicare drug discount card, because there was no-- there was no program. So, for the first two years, we basically proposed going in, and giving seniors a discount card so they could get discounts for drugs and if they were poor, they got \$600, like a voucher, on it. So, they'd go to the store and they had a draw. It wasn't really an insurance plan. They got a \$600 credit.

Okay.

So, if they were poor, for the first \$600 that you go into the pharmacy and they get \$600 worth of drugs during the course of the year, 'til that ran out, and they'd also get discounts, because the government was buying for more seniors.

And we said, this is the first step. We're going to pass a bill. So, I spent the first, you know, 2000-- 2001 and 2002, working with Congress to build up to what we did in 2002, which was to pass Medicare reform and the prescription drug bill.

And I was very friendly with Sen. Rockefeller, who's still a good friend of mine, who was the leading Democrat, Sen. Frist, who was then the chief Republican in the Senate, and was a doctor, and was also perceived, then, to be very bipartisan, was a very good friend who I'd known for years. Sen. Kennedy isn't a good friend, but I like him and I've known him for a long time.

Most of the major Democrats in the Congress, especially in the Senate, I knew pretty well. So, we had a pretty good amount of trust, I think.

In the House, the dominant Republican in Congress was a very difficult guy, but very, very smart. His name's Bill Thomas, Congressman Thomas.

Okay. He's a Republican?

Pardon me? Republican.

Yeah, sure. He was the Chairman of the Ways and Means.

Ways and Means-- Ways and Means Committee. And he was an old friend of mine. Very tough guy, very tough on everybody, including me, but brilliant, and smarter than the staff.

Okay.

So, I had a lot of relationships and a long history of working on this program for 15 years and I'd been on the board of a couple of health management-- you know, I'd been involved in health care for a long time.

So, I hoped I had a lot of background in these things. So, I kind of knew what could pass and I knew what could work.

Okay.

And on the drug side-- you know what a PBM is, pharmacy benefit manager? Caremark, Medco?

Yes.

They manage our drug benefits, private companies. Two of the three big ones, there were three very big ones, Medco and Caremark--

Can you hang on for one second?

Sure.

(phone conversation not transcribed)

[audio break]

And you were talking about the Medco--

Oh, I just said, on the drug side, the two-- I never had a very good relationship with the drug companies, which if you read in the press, somehow there was a perception this was a big-- the Medicare drug benefit was a big win for the drug companies. It wasn't, actually, I don't think. I think in the long run it's going to tend to be very tough for them.

But the insurance companies that generally pay for drug benefits in this country are the PBMs and the three big ones were Merck-- were Medco, M-e-d-c-o, Caremark, and I can't think of the other one. But, anyway, the presidents and CEOs of two of the companies were people I'd known for years. One worked for a company I was on the board of and the other-- I used to run the hospital association.

So, two of the three major players in this market were people that I knew well. So, that helped me figure out how to design it--

Okay.

--because I talked to them a lot.

So, I just think, you know, I was fortunate to have a lot of substantive background in understanding Medicare and the Medicare drug benefit from years in the government and I also knew these companies and the CEOs well from many years in the private sector. So, I was the president of a big hospital association for six years between the first Bush administration and the second Bush administration.

Okay. The FHS.

The Federal of American Hospitals.

Yes.

FAH -- I changed the name. I was big on name changes.

So, CMS used to be called HCFA. I changed the name when I got there.

Okay.

You didn't know that.

No, I didn't.

She used to work there.

Unidentified Participant: That was a very big deal.

Yeah. Made all the employees mad.

Unidentified Participant: No, I like it.

It was called HCFA for many years and then I-- when I got there, people didn't like it, because it was perceived to be big and bureaucratic, because Shenena (ph) made it a big, bureaucratic place.

(laughter)

So, I changed the name the first two weeks I was there to CMS, Centers for Medicare and Medicaid. It used to be called the Healthcare Financing Administration and I changed it to the Centers for Medicare and Medicaid Services.

Okay. You changed, just for-- that it sounds less bureaucratic?

Because people didn't like the place. They thought it was bureaucratic, that it was a big, unfriendly, cold place, hard to deal with.

Okay.

Hospitals didn't like it. Doctors didn't like it. I was just trying to change-- you know, open the windows and get some fresh air in the place and change the culture, which worked for a while, I think.

Okay. And what's the-- yeah, we-- what was the role of the CMS in writing the bill? What was your role in the expertise, what kind of--?

Well, at the time, when it first started, I had been the White House healthcare staffer for President Bush number one. So, I-- most of the staff-- the way the White House is set up is there's one person appointed by the president, who was then a guy named Mark McClellan, Dr. Mark McClellan, who took my place at CMS.

Okay.

So, when I first came in with President Bush, it was Dr. McClellan, who was the White House domestic-- the domestic policy advisor for health to the president. I'd known him for years.

The staff that did a lot of the work, 110 people or so, that worked for the Office of Management and Budget in the White House, were all people that had worked for me 10 years before. So, I knew all the staff. Does that make sense?

So, I was at CMS. And when I got in with President Bush in the first year, it was basically Mark McClellan and me, because I was running the programs and Mark was in the White House. And we were working on trying to put this reform program together.

Okay.

Okay? After about a year, Mark left, because the president asked him to go run the Food-- FDA.

Okay.

The Food and Drug Administration. Does that make sense? So, Mark left and after Mark left, it was really his replacement, a guy named Doug Badger is his name. I don't know if you ever heard his name. But Doug Badger was the second White House healthcare-- he worked for the president in the White House.

And basically it was Doug Badger and me and Secretary Thompson, but he was not as involved in the details, who basically crafted the president's proposal. And from probably October-- I had been working on it for a couple of years, but pretty much every day from, say, September or October of 2002 until we announced it in probably March of 2003, we met and worked on the design of the program and how it worked.

Okay.

And probably-- and during that period, I talked to as many outside people in the industry as I could, informally, to get their opinions about how it should work, make sure they were happy -- not happy, but make sure their opposition was not too outrageous.

And I didn't really talk to the drug companies, because I didn't like them much, but I talked to the PBMs and I talked to the AARP and I talked to-- I don't know if you know what the AARP is, the American Association of Retired Persons.

Yes, AARP.

I talked to the unions and various other people, just to figure out what was doable and then largely Doug Badger and myself and a few other staff people from CMS and from the White House put this together. We met with President Bush and the senior people in the White House probably every three weeks during that period for probably an hour at a time to get guidance, tell him where we were going.

So, I'd say, you know, the president made-- President Bush was driving this. He made a decision that he wanted to do a Medicare drug benefit. He made the decision way before that, in 2001, so he was involved all along. But he decided in the summer of 2002 that, as part of his big legislative proposal in 2003 -- you know, obviously, the Iraq war had dominated a lot of the-- and 9-11 had dominated a lot of the first two years.

Yes.

So, once the kind of things settled with-- you know, by the time we started thinking about big domestic policy initiatives it was the summer of 2002.

Okay.

So, I was given the direction of come up with a good Medicare drug benefit and Medicare reforms in the-- probably the fall of 2002. Doug Badger, myself, and a bunch of staff met every day to put it together.

Okay.

We met with President Bush 10 times, maybe, for an hour apiece, told him what we were doing, gave him the options where we're going. He would give us directions about what he wanted. He was very involved.

Yes.

Along with, you know, Vice President Cheney sat in on a bunch of the meetings. You know, Andy Card, who was the White House Chief of Staff.

Okay, Andy Carr?

Andy Card who was-- there were a lot of people, probably 10 people, in every meeting, most of the senior White House staff.

Senior White House?

Yeah. But the president did the vast-- you know, we would tell him what the issues were. He did all the decision making and he did all the talking. He was very involved.

So, he decided, you know, when we got to, probably, February and March, before we announced it, we went up to Congress, to the Republican leadership. At the time, Congress was all Republicans. You know, it was dominated by Republicans.

And we told them what our ideas were. We made some changes based on the input from them, Chairman Thomas of the Ways and Means Committee and Speaker Hastert. Sen. Frist was running the Senate and Sen. Grassley was running the Finance-- the Senate Finance Committee, which is the-- so, you know, the key players were Sen. Frist and Congressman Hastert, for the leadership level, and Congressman Thomas on the Ways and Means Committee and Sen. Grassley from the Finance Committee.

And so, we got some guidelines-- guidance from them on what we thought we should do. And we sent up a pretty basic outline, it was a 30-page outline of what we wanted.

Okay, it's quite short.

Short compared to-- it's the same thing President Obama is going through now. Do you send up a 1,000-page deal with every detail and they get mad because you try to tell them what to do, or do you send up an outline that's here's our concept. Here's what we have; I think it should work. We'll work with you to fill in the blanks.

I have not seen his proposal, but I have heard that he wanted to let a lot of Congress people working on it, like-- because Clinton's proposal was very, very, very important, so I think there were some programs that were short (inaudible).

We did, but then we were very involved every day. The main Senate person, staff person for Sen. Grassley, who did all the work, works here with me.

Okay.

So, we spent lots of time up there. You know, we didn't tell them what to do, we worked with them. We said here's our outline, let's work to get the votes to pass it.

Probably the smartest thing we did, very early, was we got the-- seniors having a drug benefit was a big political issue in the U.S. for 25 years. Poor seniors couldn't buy drugs. Drugs are expensive. They didn't have a benefit.

You know, most people in France, the U.S., any country, prescription drugs is part of their healthcare benefits.

Yes.

In the U.S., it wasn't. People forget that it didn't exist and it was bad for poor seniors. So, we-- you know, we sent our proposal up there and we worked every day with Sen. Grassley's staff. Sen. Baucus was the lead Democrat. Sen. Kennedy-- the two things we did that probably helped pass it more than anything else is at the very beginning we went to the AARP and said to them, this is your biggest issue. You haven't gotten it in 20 years. We want to work with you. Tell us how to work with you and support us.

They supported us from the very beginning. And, you know, you can argue about-- it might not be exactly what they wanted, but we convinced them that if they didn't support our plan, they'd be another 20 years before they got a Medicare drug benefit.

And the same thing with Sen. Kennedy. We went to-- Sen. Frist and Sen. Kennedy were very good friends. We went to Sen. Kennedy very early on and we got the AARP to support our plan and we got Sen. Kennedy to support our plan.

Okay.

So, a bunch of Democrats in the Senate supported. So, we passed-- the first time, we had an outline of the bill, probably-- it'd be May of 2003.

In May? Okay.

The dates may be slightly off. But we passed in the Senate pretty easily. A lot of Democrats opposed it, because it was a Republican proposal. But Sen. Kennedy supported it.

So, he's--

Sen. Daschle, who was then the Minority Leader. He's-- you know, he's in my law firm. He's upstairs.

Okay.

He's a good friend, but, you know, he didn't-- there were a lot of Democrats that were worried that Republicans were going to do something for seniors that would be bad for Democrats. Does that make sense?

Yes.

Sen. Kennedy decided, just like the AARP did, that, you know, it may not be exactly what he'd do, but he'd been pushing for this for 20 years, and this was a lot better than he was likely to get.

At the time, in 2003, it looked like Republicans were going to be in power for a long time.

Yes.

It didn't work out that way, but at the time, my arguments to the Democrats, who are many friends of mine, said, hey, look, you know, we want to do a very competitive, market-driven proposal and we're not going to do a government-run drug benefit. And if you want to wait for that, it'll be another 20 years. If you want to do it our way, we'll spend a lot of money. We said we were willing to spend \$400 billion and if you want to spend \$400 billion and do it our way, then let's work together and get it done.

And Sen. Kennedy supported that and the AARP supported that and I think the first vote through the Senate was like 70 votes. There were so many people in the Senate 73.

Then it went to the House. The House was much more political, much nastier, much more difficult, not bipartisan.

Okay.

Not bipartisan. Congressman Thomas, who is a friend of mine, had bad relations with the Democrats.

Okay.

He ignored the Democrats, wasn't-- didn't talk to them at all, didn't ask their opinion, just said, forget it, we don't need them.

I've read some stories--

Made them very mad, because he just cut them out of-- you know, we had meetings, and he refused to let them in. They'd protest in the hall. So, the Senate passed one bill; the House passed a pretty different bill.

Yes.

Much more conservative.

More conservative? Okay.

Yeah, not that much, but more conservative, and much more partisan.

Okay.

Almost a party-line vote, Republicans versus Democrats. Because-- I think because of that process, the Democrats in the House went back to their friends in the Senate and said, how can you let them treat us this way. This is an outrageous process. You should oppose it, too.

So, Sen. Kennedy switched his opinion and said, I can't support the House bill.

Okay.

And I may not be able to support any bill. Okay?

So, then we went to a conference committee, which took three months, three or four months.

Okay.

So, the White House, which was me and Senator-- it was the Administration, which was me and Secretary Thompson, Secretary Thompson of Health and Human Services, sat in a room every day for three or four months from probably July 'til December, negotiating the differences between the House bill and the Senate bill.

Okay.

And it was technically a conference committee, but it really-- I don't know how you are on legislative process work, but, as a technical matter, a conference committee means the Democrats and the Republicans in the House, and the Democrats and the Republicans in the Senate.

So, this was kind of informal. It wasn't formally a conference committee. It was informal meetings, because the Republicans in the House did not include the Democrats at all. It was just Republicans.

Okay.

And they cut the Democrats out, which made the Democrats irate.

Out of the conference committee?

It wasn't-- we called it a conference committee, but it wasn't, because for it to technically be a conference committee it has to be formal committees from the House and Senate in both parties.

Okay.

The House basically said, we don't need the Democrats and they locked them out. Okay?

Okay.

And in the Senate, because the Senate Democrats didn't like it a lot, either, and Sen. Kennedy said, forget it, I don't like this process, we had all the Senate Republicans, including Sen. Frist and everyone else, and two very important Senate Democrats, Sen. Breaux, who was the-- I mean, Sen. Baucus, who was the senior Democrats on the Finance Committee, who really wanted to get something done, and he-- Sen. Breaux-- Sen. Baucus and Sen. Grassley, who were the top Republican and the top Democrat on that committee are very friendly, and always have been. And they always work together. They like to be bipartisan.

So, a lot of Democrats were really angry with Sen. Baucus, but Sen. Baucus participated in this process, as did Sen. Breaux, who's since retired, but was also a very important-- on that committee, a very senior Democrat.

Okay.

So, we had two very key Democrats in the Senate, and all the Republicans in the House and the Senate, and we spent four months ironing out something that those two Democrats could support and go back to their other Democrats with. Very controversial.

So, we finally came up with this compromise bill between the House and the Senate, okay. It was much more moderate than what the House had wanted, gave us enough support to get a few Democrats in the Senate, going back to the Senate to get the votes, we got-- we needed exactly 60 votes and we got 60 votes.

You get 60 votes.

And we got a bunch-- we got Sen. Baucus and Sen. Breaux and about five other Democrats whose attitude was, it's this or nothing and we passed the bill by one vote.

How did you get the five other senators? It's like Sen. Baucus and Breaux and just--

No, I mean, they're all people that have worked-- I can't remember all five, but, for example, Sen. Wyden, who's very liberal.

Yes.

But had worked on healthcare policy for years and had spent years trying to get a benefit, a drug benefit, for seniors. And I've known him for a long time. And a lot of people talked to him, but I talked to him and said, look, this is your only shot to get seniors-- a drug benefit for poor seniors.

Okay.

And it may not be perfect for you, but you know and I know that we'll be back here again in 20 years having the same discussion if it's--

Yes.

And he kind of covered his eyes and voted for it.

Similarly-- maybe we got 10 or 12 Democrats, maybe more. Because some Republicans voted against it, because we spent \$400 billion and some Republicans hated it. For example, Sen. Lott, who was a senior Democrat-- senior Republican, excuse me, still gives me a hard time about it. And I remember the day when he voted for it, he said, Scully, you know, this is the biggest piece of junk. I can't believe I'm voting for it.

When he voted for it, he walked straight out of the Senate and went straight home and he was angry for weeks.

Okay.

Because he thought it was too much money. Why should you spend all this. A lot of conservatives and a lot of Republicans thought why in the world would you spend all this money on poor people, a big, new entitlement program, for something that's a Democratic Party priority, not a Republican priority.

Um-hmm (affirmative).

And there were a lot of moderate Republicans like me and like President Bush and others who thought, you know, it's the right thing to do and it's going to happen some day because seniors are going to get a drug benefit and we might as well do it in a capitalist, competitive market-driven fashion while we're in power, because if Democrats are going to do it, they'd have the government fix prices. So, and it turned out we were right.

And now, there's very little complaint. At the time, if you looked back and looked at my press clips, or anybody else, it was very controversial and very difficult and very painful and a lot of people thought it was outrageous and we were doing special favors for the drug companies or we were-- you know--

Because of the-- it's like an open-ended commitment, like Medicare was for hospitals in its early years.

Yeah.

But now it's not, any more. So--

Yeah, we were spending too much money. If you were a Republican, we're spending too much money, if you were a Democrat, it wasn't tough enough on the drug companies and everybody was unhappy. Now it's not controversial at all. It's working very well.

Nobody ever talks about it. Seniors are happy. The program was supposed to cost \$400 billion over the first 10 years. It's now projected to cost about \$260 billion, which is a lot of money, but its cost projections are about 60%, which in the history of U.S. government programs, every program ends up costing more than is expected. This program has come in less than expected.

So, I think it's worked very well.

Unidentified Participant:(Inaudible).

I do. Give me five-- just give me a couple of minutes. Is five minutes good enough?

Unidentified Participant:(Inaudible).

Oh, yeah. I'm just a student.

No, she's just kidding. She's kidding. You can't joke with her too much in your second language.

Yeah, and I want to go over with you--

Is this helpful? Is this what you're looking for?

I had some questions. But really, what you told me was very interesting.

So, what were your main questions? Do you have a couple? And I'm happy to talk to you on the phone again, if that would help you.

Yeah, I am-- I wanted to have your view on-- like, I have read a lot of books on Congress and all these books say that-- talk about, like, polarization, like strong partisanship.

It's gotten a lot worse. It used to be much better.

Yes?

I stated worked in the Senate in 1981 and it was much better, much friendlier, much less partisan.

Okay.

And I think it's-- you know, I don't think people's views are any different. Republicans are conservative and Democrats tend to be more liberal and most of the country is in the middle. People that run for office tend to have strong feelings, one way or the other. But I think the difference is, 25 years ago, these people didn't have to spend all their time raising money to run for office.

Okay.

So, they were here more often and they got to be friends. It's all about personal relationships.

Now?

Well, the reason we passed the drug benefit is Sen. Frist and Sen. Kennedy were very good friends and they trusted each other. Sen. Rockefeller is a Democrat, very liberal. I-- he's a wonderful guy, still one of my favorite people. I've known him for 25 years. I trust him and he trusts me.

A lot of it is about trust. These guys spend so much time running for election and it's so expensive and they spend so much time raising money that they spend very little time-- you know, 20 years ago, they used to spend more time drinking beer together or, you know, socializing together and I think that the personal relationships between Democrats and Republicans are much-- just-- it's no one's fault, but they're not what-- they just don't know each other. So, when you have to work things out, the personal relationships and the trust are not there.

So, when you look at the people who are important to healthcare, why did Sen. Baucus-- why did we get a drug benefit? One of the reasons was Sen. Grassley, who is a Republican, and Sen. Baucus, who is a Democrat, are very good friends, and the parties have switched since they've been in power. You know, one's been Chairman and one's been ranking, which is a couple times they've switched back and forth, and no matter who's running the thing, they treat-- they always treat the other one with respect and they work together.

Okay.

And that doesn't happen very much any more. But the reason we got a Medicare drug benefit is because those two guys get along. If we get healthcare reform, this year or next year, big healthcare reform, their committee is in charge. I don't think we're going to get it, but if we do, largely because Sen. Grassley and Sen. Baucus, unlike many other people, talk to each other.

You are not talking about the leadership.

The leadership is important, but when you get into the details of an issue, the committees really make the substance. So, you look at Sen. Reid or Sen. McConnell, who are the Senate leaders right now, they're very powerful and they set the agenda for what's going to happen, but they don't understand healthcare. It's not their job. They don't spend every day looking at it.

Sen. Baucus and Sen. Grassley run the committees that oversee healthcare and they have staff that understand it and they are the ones that really work out the details.

Okay.

And they have a good relationship. It helps-- you know, it helps if the leaders get along, but it's not that important in the Senate.

The House, unfortunately, is so partisan. In my opinion, the House can pass anything it wants. The House can pass a very, very liberal national health reform bill and the Republicans can't do anything about it. They have no power.

And it was the same way when the Republicans were in power. As I said, in the drug benefit the Republicans were in power, totally ignored the Democrats, made them mad, but just ran right over them and ignored them.

So, the House can pass anything. Whoever has more votes wins. The rules are very tight and if you have one more vote than the next guy, he might as well stay home.

The Senate has much more complex rules and you can't just-- you know, the Democrats have 60 and the Republicans have 40, but they still can't really pass anything without the Republicans, that's big and controversial.

So, they have to, pretty much, work with the Republicans. And so the Senate is really-- for anything that's big and controversial, the Senate is where the decisions are made.

Okay. It's--

Does that make sense?

Yeah, sure. Definitely.

I have a last question--

And from the White House point of view, relationships there are everything. Because the President proposes things. Congress has a lot of power to pass. So, Nancy-Anne DeParle, who is the White House healthcare czar now, is an old friend of mine.

When I-- when President Bush lost to Clinton in 1992, she took my place at OMB and took over my staff.

Okay.

And we got to be good friends.

Okay. Yeah, you keep the same staff?

Yeah, the career staff.

Okay.

So, at OMB, there's 130 people, 150 people there, probably, who do healthcare work, health and welfare work. And they're career civil servants who are there through multiple administrations.

And President Bush number one, from 1989 to '93, in that administration, those 150 people worked for me. When we lost, Nancy-Anne DeParle came in and took that job and I spent a lot of time with her telling who the good staff-- you know, the place worked, and we got to be friends. So-- and I worked with her.

She was there for four years and then the second four years of the Clinton Administration she went and ran CMS, HCFA. So, she was the OMB person. She left to run Medicare and Medicaid.

When Clinton's term ended and President Bush came in and beat Gore, I took her job. So, we swapped jobs twice.

Okay.

Does that make sense?

Yeah.

I had the White House job. She came in and took my place. She was there for-- in the White House. She moved over to CMS, which was then called HCFA. Clinton left, Bush two came in and I replaced her again.

Okay.

And we've always been friends. We don't-- she's a very moderate Democrat. I'm a very moderate Republican. So, she's a wonderful person and the fact that she also has-- I mean, I hope-- I used to be like this. I became more controversial because of this drug benefit, but most Republicans really like her. She's very smart. She's very moderate. President Obama hired her to be the-- she's the head of the healthcare-- of the White House healthcare office now.

Okay.

So, she's the one responsible for getting this big Medicare bill through. And it's her job to get this done and she's terrific.

Okay.

So, if you watch this debate, you'll see her name a lot.

Spell this name?

Nancy-Anne-- Nancy-- first name is Nancy-Anne, two names. Nancy-Anne D-e-P-a-r-l-e.

l-p?

D-e -- D, small e, big P, a-r-l-e.

Oh, DeParle.

DeParle. And if you go in and put a website search in on her, you'll get hundreds of pages. She's the person--

Who is trying-- who is working--

Sen. Daschle-- have you been here for a while? A month? How long have you been here?

Yeah, three months.

Sen. Daschle, who is my law partner upstairs, was picked to be, you probably saw that, the White House healthcare person and the Secretary of Health and Human Services. And he got in trouble, he was-- did you see that?

Yes, right.

When he withdraw his name from that job, he was going to be-- have two jobs, which was very unusual, the Secretary of Health and Human Services and the White House healthcare czar. And he was going to have two jobs. He withdrew his name and President nominated Gov. Sebelius from Kansas to be Secretary of Health and Human Services. She's still being confirmed.

The other half of the job, which was the White House healthcare czar, was taken by Nancy-Anne DeParle. And she's not as famous as Sen. Daschle, but she's very smart and very good. She's in charge-- her job is very much like mine was with the Medicare drug benefit, only much tougher.

Okay, so you're--

But I love her. She's great. She's very smart and very reasonable and has a great background in healthcare and, you know, privately she works for a Democratic president who may be a little bit more liberal than George Bush, but, personally, she and I disagree on very little.

Okay.

Very nice, smart person.

All right.

But my point is, the world is pretty small.

Yes.

There's only about three people in the Republican Party that actually have worked on healthcare year after year after year.

Yes.

And there are probably 20 in the Democratic Party. There's more. But we all know each other. It's a pretty small town.

So, yes, it's a small community.

Pretty small community.

That's interesting.

Who else have you interviewed, Chris Jennings, or--?

Chris Jennings.

Chris is a good friend.

I have contacted--

Chris is a liberal. He's a great guy, very nice man.

I contacted him, but I-- we didn't (inaudible) yet.

He hasn't answered you or anything?

I will. I interviewed Charles Kahn-- Chip Kahn.

Chip Kahn. He replaced me at the Federation, yeah.

And I just wanted just to ask you if have some ideas about contacts or people I can meet with?

Is your real goal to learn about Congress or about health reform or which?

Oh, about Congress, I think.

More about Congress?

I think, yes, but also the people working around and working with the Administration to figure out the role of the Congress. It's not just-- I think I have-- I want both views.

Well, call Bill Thomas, Congressman Thomas. He's retired. He works at a law firm in town called Eckert Seamans.

Okay.

A Pittsburgh law firm. If you do a search on Bill Thomas and Eckert Seamans, you'll come up with it, a Google search.

His staffer was a guy named John McManus, who now has his own firm, called McManus and Associates.

They're both Republicans. They'll give you a good view of how that process works.

From the Democratic side, most of them have left Congress. A very good woman named Bridgett Taylor, who worked in Congress for years, is now at the Department of Health and Human Services. Works for the Secretary.

Okay.

If you can't find her, email me, just send me an email and I'll email her for you. She's an old friend. She's wonderful and she's doing-- she's a Democrat who's worked for many, many years on this issue on all sides. Very liberal, but one of the nicest people in the room and very smart and has lived through all these battles for years, like I have. Other side of the aisle, but very nice, very smart.

Worked for a Congressman, Chairman Dingell. Very smart.

I better run, though, if that's okay.

Okay. Yeah. Yeah.

Was this helpful? Call me if I can help you. I'll be happy to talk to you.

[audio break]

I'm glad I got to help you a little bit, but call me if I can help you again. I just have a call at 4.

Okay.

All right. You know where you're going?

This way. Thank you very much.

Okay, 'bye-bye.