

them wrong. We need to continue to do the people's business in a sound way.

I want to thank the Members for coming. I appreciate the chance to visit with you, and I look forward to a good relationship here in 2004.

NOTE: The President spoke at 3:34 p.m. in the Cabinet Room at the White House. A tape was not available for verification of the content of these remarks.

Remarks on Access to Health Care

January 28, 2004

The President. Thank you for being here. Please be seated. Thanks for coming. If you're wondering who these characters are behind me, these are people who have just shared their stories about what it means to be an employer or employee and facing rising costs of health care. The cost of health care is an issue in our country, and we must deal with it in a rational way. And that's what I want to discuss with you today.

I want to thank those folks who are standing behind me for sharing their stories. I will try to do my best to share some of their stories with you. They come from all parts of our country. George Akers, for example, is from Naples. He's here with his boss, who owns the company, a small-business entrepreneur. That would be Naples, Florida. Joe is from Horizon Builders in Maryland. Pam Wimbish is from Illinois. She's self-employed. Rick Bezet is the pastor of the New Life Church in Little Rock, Arkansas. These are people who are working for a living, people who are employing people, people who are worried about health care.

Phil Hadley is, as I told you, is George's boss. He's an entrepreneur. He's a—one of the great parts of America is the entrepreneurial spirit of our country. The fact that small businesses are vibrant and alive is an important part of the economic recovery of our country. After all, most new jobs are created by small-business owners, people who are dreamers and hard workers. But Phil told me he's worried about making sure his employees are covered by good health care.

Lynn Martins is with us. She's a restaurant owner. She is selling food and, at the same

time, worried about whether or not the people that are waiting the tables can get insurance.

The Sameses are with us, Krista and Ted. They're self-employed. By the way, Kris is a home-schooler; she home-schools her children. And they've decided to do something about the high cost of health care by taking an innovative approach to buying health care, which I'm going to describe to you here in a minute.

Anyway, thank you all for coming. These are—their stories are typical stories. Their stories are the stories that occur every day in America as people make decisions about how to allocate money toward health care.

Fortunately, the positive news is that we've got the best health care system in the world. And we need to keep it that way. We need to keep it that way by keeping the private market strong, by resisting efforts that are happening in Washington, DC, to say the Federal Government should be running health care. See, we don't believe that. I don't believe it. I believe the best health care system is that health care system generated in the private markets.

And the best way to keep the private markets strong is to make sure we've got the best research and development, is to make sure the doctor-patient relationship is strong, is to empower consumers to make more choices, is to give them more opportunities to make choices in the private sector.

We're making progress in terms of the modernization of the health care system, starting with the Medicare bill that was passed. The Medicare bill said we have an obligation to our seniors in our country, and we need to fulfill that obligation. And for the first time since Medicare was founded, I had the honor of signing a bill that modernizes the system, which essentially says there needs to be prescription drug coverage for seniors; there needs to be preventive care available for seniors; and seniors need to be given options to choose from, to tailor a program that best meets their needs. The Medicare bill is a vital part of a vibrant health care system. I was proud to sign it, and any attempt by Congress to weaken it will meet my veto.

One of the ways to help make sure health care functions better is to help people who

can't afford health care to have access to health care, access other than emergency rooms and hospitals. And so I'm a big proponent of what's called community health centers that operate primary care services in rural and underserved urban areas. When I showed up here in Washington, there was about 3,000 of them. I vowed that we would expand and/or open 1,200 more. We've done 600—we've met 600—we've fulfilled half our obligation, as far as I'm concerned. And in the budget I'm submitting, we will finish the additional 600 in years 2005 and 2006. This is a smart way to make sure that people get health care. It's more cost-effective that people are able to go to these centers and not go to an emergency room, which is by far the most expensive way for somebody to get health care.

Congress needs to pass refundable tax credits to help the working uninsured. It's an approach that says we trust low-income Americans to be able to make the rational decision for their health care.

Another thing we need to do here in Washington is to promote the—make sure health care technology is widespread, that the—even though medicine is modern in the sense that we're making great new discoveries, it's kind of ancient when you think about how the records are kept. When you're still writing records down by hand and sharing information through files, it's not exactly a modern system. And we believe a lot of medical errors can be saved as a result of the use of proper technology, and there will be cost savings to be had as well.

Another way to save costs, to stop the rise of the cost of health care, is there for to be rational laws in dealing with doctors. Our legal system is out of control right now. There's just too much litigation. There's frivolous and junk lawsuits all over the country. It's like there's a giant lottery, and the lawyers are the only winners. And we're driving good docs out of business. Make no mistake about it, a lot of good docs are stopping to practice medicine because their premiums are going up because of the junk and frivolous lawsuits. And so these lawsuits, which are—people will settle just to get them out of the way—raises costs. Doctors, for fear of being sued, practice what's called defensive

medicine. That raises the cost. As a matter of fact, the cost of premium increases and the cost of defensive medicine—in other words, prescribing too much to cover yourself so if you get sued, you can say, "Well, wait a minute. I did everything I could"—costs the Federal Government about 28 billion a year. Think about that—\$28 billion. That means it's costly to the taxpayer.

I view this as a national issue that requires a national solution. And so I proposed medical liability reform. The House passed a good bill which recognizes that if—by the way, if you get hurt, you ought to recover full economic damages. In other words, if a bad doc practices bad medicine, there ought to be a consequence. But there ought to be a cap on noneconomic damages.

The House passed the bill. It's stuck in the Senate. Senators have got to understand, if they're truly worried about health care costs, we need medical liability reform that's fair and reasonable—fair and reasonable. We want health care to be affordable and accessible. When you drive doctors out of business and drive the cost up because of lawsuits, medicine becomes less affordable and less accessible.

The Medicare bill I signed in December created an additional tool that will help workers lower their health care costs, and they're called health savings accounts. They became available on January 1st. Health savings accounts address a growing need in our health care system. These accounts will help working Americans afford health insurance that is growing out of their reach. They will help restrain the health care costs that are affecting us all.

Right now, many insurance plans will cover virtually all of your health care costs in exchange for a high premium payment, which is paid by employers and their employees in various percentages, in different percentages. Under America's system of private medical care, families will continue to have this option, of course. We just want to provide additional options for families from which to choose, and the health savings account is one such option.

Under the system that currently exists, consumers really don't know how far their health care dollars are going. You pay the

premium, and then you just show up and collect the benefits. You have no idea what you're spending money on. They pay a flat rate for insurance, but they really don't know the true costs of medical services they receive. There's no demand for better prices. There's no selectivity in the marketplace. There's no pressure on the price structure of health care.

When consumers don't have the incentive to get better prices, costs go up, and that's what's happening in America. And then when costs go up, insurance companies pass on those costs in the form of higher premiums, so everybody pays. That's the current system we have today. And it's those higher premiums and increasing costs that make it difficult for some to have health care insurance.

The doctor-patient relationship is also a vital part of a good health care system. And as these folks behind me said, you know, they got a little tired of having bureaucracies in between the patient and the doc. And that's what's happened in certain segments of the health care industry.

And we need a consumer-driven health care system, and we need better information about health care prices. And a consumer-driven health care system with better information will help control the cost of health care. That's the rationale of the health savings accounts.

The best way to empower citizens is to let them save and spend their health care dollars as they see fit—in other words, start to empower people to make the right decisions with their health care dollars; give them control over routine costs so that people see the doctor when they need to, spend their dollars wisely, and still be able to have coverage for major medical bills.

The health savings account incorporates the philosophy I just described. There's two major features. First, to get a health savings account, you or your employer must obtain a separate high-deductible insurance policy to cover major medical expenses, such as surgery or hospital stays. The premiums for these high-deductible plans cost far less than traditional insurance. Yet the plans still cover for major expenses.

Secondly—the good news, by the way, is insurance companies are now beginning to

offer these plans more and more, along with HSAs. In other words, the market is demanding and the suppliers are providing these kinds of high-deductible catastrophic plans, I guess is the best way to describe them. They don't cost nearly as much as normal group plans cost.

Secondly, to cover routine medical expenses—in other words, this part of the—this aspect of the health care system says, "We'll cover major costs for you at a much reduced cost to the consumer." Second, to cover routine medical expenses such as bills for regular doctor visits or medicines, you can set up a health savings account with up to \$2,600 a year for an individual or up to \$5,150 for a family.

Now, contributions to these accounts are tax-free. The earnings in these accounts—in other words, if you don't spend all the money and you got that money invested, the earnings are tax-free, and when you withdraw them to pay for routine medical expenses, the withdrawals are tax-free. In other words, there's incentives built in for people to put money aside to meet routine medical expenses, expenses other than costly catastrophic expenses or high hospitalization expenses. Because the HSA is tax-free, it will save the Americans between 10 to 35 percent of out-of-pocket medical expenses, depending on a person's tax bracket.

Not only does the HSA start to empower you to make decisions; it actually provides tax relief at the same time. Whatever you don't spend, by the way, in a year—you put 2,600 in, you don't use all that money—that can be saved for future medical bills. In other words, you start to save money and accumulate money. So instead of sending all your health dollars to an insurance company, you and your employer can use an HSA to lower your insurance premiums, to cover major medical bills, and to keep the savings to cover routine costs, and to save for future issues you may have to deal with.

When more Americans sign up for these HSAs, we'll see positive effects for our families and the economy this way: First, many American families who choose HSAs will pay less overall for their health care. People behind me who have chosen HSAs will testify that that's the case. I'm going to testify on

their behalf here in a minute. [Laughter] Insurance premiums will be lower, and people will be able to draw from tax-free money to pay for routine expenses.

Secondly, HSAs will encourage people to spend wisely for their routine medical expenses. If you put in 2,600 tax-free, that 2,600 is yours, and if you spend unwisely, you're spending your own money unwisely, and you begin to see the consequences as the savings for that particular—or the contribution for that year begins to dwindle. When people consider the true costs of their medical care, they will push health care providers to offer better services and better prices. When it's your money you're spending, you see it; you write the check; you have the tendency to demand better service. If somebody else is spending the money for you, there's no cost control because the demand—the decisionmaking process has been taken out of the economic equation.

Third, HSAs will encourage people to save for their health care needs both now and in the future. We encourage people to save for their future retirement needs. HSAs do the same thing for medical needs. There's incentives built in to encourage savings, and that's important.

Fourth, because citizens will see savings on an annual basis as a result of wise choices they make, there is an incentive to take care of their bodies and to live healthier lives. This is the beginning of, hopefully, what will be the next wave of medicine and the direction of medicine, is how do we encourage people to make right choices? How do we prevent disease in the first place?

As you know, I'm an exerciser. I like to exercise. I exercised a little too much, and my knee hurts. [Laughter] But nevertheless, I feel—I made the right choice to exercise on a daily basis. I'm a healthier person for it. And HSA—that would show up in an HSA because there would be more money left over on an annual basis because I am a healthier person, more of my own money that will be accumulating, that will be being saved. The healthier your life, the more money you build up tax-free in your health savings account.

Fifth, HSAs will make it easier for some people who are now uninsured to purchase

health insurance. Low premiums mean greater affordability and greater accessibility, especially for small businesses who are having trouble paying for the health insurance for their employees.

Because some people may not be able to afford these low-cost plans, I made a proposal to strengthen HSAs. I did so in my State of the Union. If your employer does not contribute to your premiums, you should be able to deduct from your income taxes the cost of your premiums for your high-deductible insurance. If you really think about what I've just said, it provides an interesting opportunity for small businesses who aren't paying for health insurance to be able to encourage an employee to do so.

Much of the money you contribute to the HSA and the money you spend on premiums—so the money you contribute—not “much,” all the money you contribute to your HSA—and the money you spend on your premiums for high-deductible insurance will not be taxed. This is an incentive plan to encourage people to be able to have an insurance policy that's affordable. And it's necessary, and it's needed. And the Congress needs to understand how responsible the decision they made in the Medicare bill was. I mean, this is a major reform in a positive way for the American people.

The other thing we need to do—and Congress needs to listen to—is the call for association health plans. What that means is small businesses can band together across the country to negotiate lower health insurance rates and cover more workers. See, State rules prevent many small businesses from working together to increase their buying power, which makes it harder for them to offer affordable coverage for their employees. It makes sense, when you think about it, to allow people from Texas and Oklahoma to bind risk, to share risk. If you're a restaurant owner in Texas, you ought to be able to take your employees and put them in the same pool as a restaurant owner in Maryland, so you can spread the risk.

You'll hear a story here in a second about a restaurant owner that can't share risk and, therefore, is in a—has to buy a group plan or try to buy a group plan without the benefits of large purchasing power. Big companies

have got purchasing power. Small businesses ought to be allowed to bind together so they've got the same purchasing power.

And the Congress needs to act on association health plans. This is an important part of making sure the small-business sector of America is strong and vibrant. The bill passed the House. It's stuck in the Senate. The Senate ought to act. And for those of you who are concerned about health care for—the cost of health care for small businesses, you need to let your Senators know. There's no excuse for this bill not to go forward. It would be a major reform. It would help a lot of small-business owners in the country.

Let me tell you some stories. Speaking about small businesses, I told you Phil Hadley is here. He's with Collier Pest Control out of Naples, Florida. He's got an employee with him named George Akers, who's with us. George is the guy with the flat-top, the turtleneck—*[laughter]*—has never seen snow before. *[Laughter]* He's the real deal. *[Laughter]*

Collier was having trouble buying health insurance that the company could afford, the people could afford, working for them. The premiums were going up year after year. And George was getting tired of it and was contemplating not having any insurance at all—wanted to work but—about to try to self-insure, which would be highly risky. He bought him a new HSA. Phil found it; they worked together on it. The HSA and the lower premiums that he pays to cover catastrophic care saves George about \$5,500 a month.

George Akers. No, a year.

The President. A year—*[laughter]*—5,500 a year. I meant to say \$550 a month. Five thousand, five hundred a year. Think about that. He went from worrying about having health insurance at all to taking a health savings account, and he now saves \$550 a month. Actually, it's more than \$5,500 a year. *[Laughter]* He's covered for catastrophic care. He's got incentives in his own plan to make right choices, to cover the routine medical costs.

Pam Wimbish is with us from the Chicago area. She's self-employed. She was worried about health care. There's Pam. She was really worried about health care. She had a high-cost insurance plan, and being a self-em-

ployed person, she was kind of wondering what's next, what happens next year or next month, when you get high bills. There are a lot of self-employed people in America, by the way, a lot, a lot of sole proprietors, a lot of one-person shops out there making a huge contribution to our economy.

She signed up for an HSA. It's made a huge difference, she said. She's saving money. She's saving money not only in the outflow; she's saving money by the account building up, the HSA account, which is her savings account. It's her own money available for health. And there's nothing like having your own—managing your own system, is there? I mean, there's just something inherently American about controlling your own destiny, and that's what these HSAs do.

The Sameses are with us. I mentioned that Krista is a home-schooler. I also forgot to tell you she's an accountant. Ted is a doc. They're a professional family, just like a lot of other families in America. They purchased an HSA. They're using HSAs. They found that an HSA makes their life—their desire to make sure their family is insured so much more affordable and reasonable.

Rick Bezet is with us. He's a pastor in a Little Rock church. You think—he's got a couple of flocks he must tend to—one is the people who come to church, but he's also an employer. He's got people working for him. He's saving about \$5,000 per employee per year by switching to a health savings account.

These people care deeply about their employees. They want them to be satisfied workers. And they're now taking advantage of new law, which provides interesting financial opportunities for their businesses.

Joe Bohm is with us. Joe is a homebuilder from Crofton, Maryland. He's got 90 employees. Just like a lot of other small businesses, his premiums went up 15 percent this year, and he's tired of it. And he's tired of not having the capacity to bargain better with a group of people just like—in the same situation he's in. But the law won't allow it.

There's some—people say, “Why won't the law? It sounds rational, why won't it?” Because there are some vested interests that won't allow this to happen. I guess there's people not willing to allow for there to be

competition. They don't want to give up any market share. They like the fact that Government won't let people compete. I don't. The more competition the better, particularly when it comes to making sure people are able to get a better deal for their health insurance.

Lynn Martins is with us. She runs Seibel's Restaurant. She says it's pretty good food, if you're interested. *[Laughter]* She used to be in an association health plan in her State, Maryland. Then, incredibly enough, they said, "You can't use those plans anymore. You can't have an association health plan." And guess what happened? The premiums went up 50 percent—because the State wouldn't allow for there to be association health plans, and her little stand-alone business doesn't have the same purchasing power in the marketplace, and the premiums went up. Bad law, bad decisions by lawmakers, ran her premiums up. And they're still going up.

And so she, too, wants to be able to be in an association health plan. She wants restaurateurs to be able to pool and get better costs in the marketplace. She's also fascinated by health savings accounts. She wasn't exactly sure what they were, and then all of a sudden she started hearing the stories of people standing behind me, and it dawned on her that this is perhaps a really good way to make sure her employees have got health insurance.

Imagine the combination of health savings accounts and association health care plans together. I mean, you're talking about providing interesting opportunity for the small-business sector in America. And remember, we're interested in job creation, and we need to make sure the small-business sector is as strong as possible. Tax relief is one way to invigorate the small-business sector. Congress needs to make all that tax relief permanent, by the way. And another way is to address the high cost of health care by rational policy. And today I described a series of steps of rational policy. The Congress must act on it. If they're truly interested in health care costs in America, I've just laid out a way, a strategy for them to address the costs, address the costs in a way that does not undermine the private sector, undermine that part of our health care philosophy that has made us the greatest in the world.

We don't want the Federal Government running health care. We don't want the Federal Government making decisions. Private medicine needs to be invigorated and strengthened, and the way to do that is give people more options, empower consumers, protect the doctor-patient relationship, and allow small businesses to pool their risk so they can provide good insurance for their employees.

Thank you for coming and giving me a chance to describe a vision for a better America when it comes to health care. Please feel free to contact the Members of Congress in the Senate. *[Laughter]*

Again, I want to thank my fellow Americans for standing up here to help add some credibility to the stories I've just told you. They are living proof of what can happen when people are given good choices to make, and proof of what happened—for the need for us to make sure Congress continues to implement good policy.

Appreciate you all coming. God bless. Thank you.

NOTE: The President spoke at 10:55 a.m. in Room 450 of the Dwight D. Eisenhower Executive Office Building.

Remarks Following Discussions With Prime Minister Recep Tayyip Erdogan of Turkey

January 28, 2004

The President. It is my honor to welcome Prime Minister Erdogan to the Oval Office for the second time. I've been looking forward to this meeting because Turkey is a friend and an important ally of America. I have found that the Prime Minister is a person who is easy to talk to. He's a straightforward man, which makes it easy to be able to deal with common issues.

And we talked about Iraq, and I assured him the United States' ambition is for a peaceful country, a democratic Iraq that is territorially intact.

He briefed me on the Cyprus talks, and I appreciated his trying to find a solution—a solution to a long-standing dispute.