



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

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PARSONS

B-202458

May 8, 1981

The Honorable John D. Dingell  
Chairman, Committee on Energy and  
Commerce  
House of Representatives

Dear Mr. Chairman:

Your letter of February 24, 1981, requested our comments on HR 850. The bill proposes to implement a "competitive" system of health care delivery and financing by repealing all Federal health system regulatory programs, including Professional Standards Review Organizations (PSROs), uniform reporting, capital expenditure limitations, health maintenance organizations (HMOs), and the health planning program. The bill proposes major structural reforms to initiate a competitive system based on individual choice under which each person is permitted to select the method of health care delivery which he believes is most appropriate for himself and his family with Federal financial assistance as is necessary.

The bill proposes a complex system whereby individuals are given the opportunity to choose from a variety of qualified plans (organizations that finance and deliver health services) based on their cost, quality, and method of delivering care, thus creating an informed, flexible, and financially motivated consumer demand to which qualified plans will respond. In addition, the bill provides that any local or State law that prevents or impedes the proposed system is preempted.

We have provided comments on the Administration's proposed budget changes to phase out the PSRO, health planning, and HMO programs. Generally, with the exception of the PSRO part of the proposal, our comments on these proposals have been supportive of the proposals (see enclosure).

The proposed complex system of providing and financing health care represents a significant departure from the existing system.

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Because of the broad implications of the proposal and the lack of any known experience with the proposed "competitive" system, we plan to examine into the various provisions of HR 850 and other bills proposing significant changes to the health care system. We will keep you informed of the progress of this work.

Sincerely yours,

*Cleris P. Pini*

For the Acting Comptroller General  
of the United States