

**“Health Care: Crisis and Reform”**

**Speech to the Democratic Club of Long Boat Key**

**Henry E. Simmons, M.D., M.P.H., F.A.C.P.  
President, National Coalition on Health Care**

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**I’m pleased to be here with you today to speak about a topic that is vitally important all Americans and to all Floridians.**

**The subject, as you know, is health care.**

**My remarks today will be in four parts.**

**First, I’ll discuss the nature and extent of the crisis in health care.**

**And believe me when I call it a crisis – I’m not exaggerating!**

**Second, I’ll describe a strategy for fixing what needs to be fixed – recommendations for reform developed by the member organizations of the National Coalition on Health Care.**

**Third, I’ll summarize the business case for reform, based on an independent economic analysis that the Coalition commissioned.**

**And fourth, I’ll say a few words about the path to reform.**

**My observations here today will reflect the views of the National Coalition on Health Care, the nation’s largest non-partisan alliance of organizations working for system-wide health care reform.**

**The membership of the Coalition consists of more than seventy of the nation’s largest companies, unions, patient advocacy and consumer groups, health care providers, health and pension funds, insurers, religious denominations, and higher education associations.**

**Many of these organizations are major forces in the American economy, in our society, and in the health care system – for example, the AARP, the AFL-CIO, Ahold U.S.A., the American Cancer Society, the American Council on Education, the state employee and teacher retirement systems of California and New York, the National Council of Churches, the Principal Financial Group, the Salvation Army, and UnitedHealth Group.**

**There are hundreds of billions of dollars of health care purchasing power, and trillions of dollars of corporate asset ownership, represented around our Coalition’s table.**

**Collectively, our member organizations represent – as employees, members, volunteers, or congregants – more than 150 million Americans.**

**Think about that: 150 million Americans, almost exactly half our population.**

**So the next time people tell you that there isn’t much support for addressing our nation’s health care problems, you can tell them they’re wrong. There’s plenty of support.**

**The American people are just waiting for their political leaders to catch up with them!**

**And by the way, that support cuts across party lines.**

**The National Coalition on Health Care is itself rigorously non-partisan. Our Co-chairmen are former Republican Governor Robert D. Ray of Iowa and former Democratic Congressman Paul G. Rogers of Florida. Our Honorary Co-chairmen are former Presidents George H.W. Bush and Jimmy Carter and until recently included the late President Gerald R. Ford.**

**Why do our member organizations share such a sense of urgency about the need to reform health care? Because they believe that the problems in health care are severe – and because they know that in the absence of system-wide change, these problems will only deepen, hurting our nation and our people.**

## **I. The Crisis in Health Care**

**There are three massive problems in American health care:**

- First, rapidly escalating costs;
- Second, a huge and growing number of Americans without any health coverage, and
- Third, an epidemic of sub-standard and dangerous care.

Let's begin with costs.

The costs of health care are surging at extraordinary rates. National health care spending will exceed \$2.7 trillion in 2010, nearly a trillion dollars more than was spent in 2004.

In just the past six years, health insurance premiums have leaped up 87 percent – more than four times the increase in overall inflation and in earnings.

Nationally, the average annual premium for family coverage is nearly \$11,500 – up from about \$6,300 in 2000.

And the average premium for family coverage here in Florida is about \$800 higher than the national average.

These enormous increases in premiums are making it much more difficult for employers to continue providing health coverage for employees and retirees.

And they also make it much more difficult for individuals and families to pay their shares of the cost of employer-sponsored coverage or to buy insurance themselves.

It's no wonder that the numbers of Americans without health coverage have been climbing – a point that I'll come back to.

The escalation of health care costs is no longer only a health care issue.

It's also a huge economic issue.

As health care costs rise, they slow the rate of economic growth. By cutting into corporate operating margins, they reduce the capacity of firms to expand by investing in research, plant and equipment.

**Surging health care costs also slow the rate of job growth by making it more expensive for companies to add new workers.**

**They suppress wage increases for current workers by driving up total compensation costs.**

**They reduce the living standards of retirees by siphoning off more and more of their incomes.**

**They drive up program expenditures and create severe federal and state budget problems – at a pace that the Congressional Budget Office, the Comptroller General, and the Chairman of the Federal Reserve Board have called unsustainable.**

**For state governments in particular, they draw resources away from other priorities, such as education.**

**And they put American firms – including Floridian firms -- at a steep disadvantage in world markets, where they have to compete against companies in countries with much lower health care costs.**

**Health and Human Services Secretary Michael Leavitt, reacting last month to new health care spending projections from his department, said**

**America's per capita health spending is the highest in the world. There is simply no place on the economic leader board for a nation that spends a fifth of its domestic product on health care.**

**We should heed Secretary Leavitt's warning.**

**In sum, we have reached the point where America's top domestic concerns – economic growth, jobs, retirement security, and health care – are now bundled together. Simply put, the first three concerns cannot be addressed effectively unless health care costs are contained.**

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**The second facet of our health care crisis is a huge and growing number of people without any health coverage.**

**The number of uninsured Americans rose to 46.6 million in 2005 – an increase of 6.8 million in just five years.**

**In Florida, more than 3.7 million people had no health coverage in 2005.**

**That's more than 20 percent of the state's population.**

**Even these dismaying numbers understate the real scope of the uninsurance problem. Over the course of a two-year period, nearly a third of the population below the age of 65 spends at least a portion of time without health coverage.**

**Uninsurance exacts a grim toll on the health of the uninsured. Those without coverage receive less care, endure more pain and suffering, and are more likely to die prematurely.**

**And the uninsured must live each day in financial as well as physical jeopardy, knowing that if they are injured or contract a serious disease and if they are able to obtain care, they may have to liquidate their assets in order to pay for it.**

**The costs of providing uncompensated care to uninsured patients, in emergency rooms and other settings, are built into the charges for care of those with insurance.**

**According to a study by Professor Kenneth Thorpe of Emory University, this adds more than \$1,300 per year to the average cost of employer-sponsored family coverage in Florida.**

**Uninsurance also reduces productivity. As the HR Policy Association has observed, uninsured workers are on average less healthy, less functional, and, as a consequence, less productive.**

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**The third major problem in our health care system is an epidemic of sub-standard care. There is a wide gulf – what the Institute of Medicine has**

**called a “quality chasm” – between the care that patients should receive and the care that is actually delivered.**

**Literally hundreds of thousands of Americans die prematurely each year because of sub-standard care. Millions more are harmed. It is estimated that unnecessary accidents, errors, and poor quality are the nation’s third leading cause of death, just behind cancer and heart disease.**

**Health care quality is also an enormous cost issue. According to Dr. Donald Berwick, president of the renowned Institute for Healthcare Improvement and a faculty member at Harvard Medical School, “[T]otal cost reductions of nearly 30 percent below current levels should be attainable while improving the overall quality of health care.”**

**With annual health care spending now exceeding \$2 trillion, this estimate suggests that we may be wasting more than \$600 billion a year.**

**It is clear that the status quo in health care is not only unacceptable, it is unsustainable. The costs of continued inaction are enormous. So what must we do?**

## **II. Specifications for Reform**

**Our Coalition has developed a set of answers to that question. After more than a year of study and deliberation, we issued a major report that reflects a consensus among our members. It is the most ambitious and comprehensive health care reform program in the national debate.**

**And ambitious and comprehensive reform is precisely what is needed.**

**The health care crisis is not only enormous; it is relentless. Every year that we delay reform – or experiment with measures that are not commensurate with the scope or urgency of these problems – health care costs continue to spiral upward, more Americans lose health coverage, and more patients suffer needlessly because of sub-standard care.**

**We can no longer afford timidity or tinkering or procrastination.**

**The National Coalition on Health Care’s recommendations fall into five categories:**

First, our members call for coverage of all Americans within two to three years after the passage of legislation. We recommend that Congress specify a core benefit enabling package, which is outlined in our report. Individuals and employers should be able to purchase supplemental coverage beyond the core package.

The Coalition identifies a range of options for insuring all Americans, including

- Employer mandates (supplemented with individual mandates as necessary)
- Expansion of existing public programs that cover subsets of the uninsured
- Creation of new programs targeted at subsets of the uninsured or
- Establishment of a universal publicly financed program.

Any one of these – or a combination of these -- can work, but to assure that everyone gets coverage, participation must be mandatory, and subsidies must be provided for those who are less affluent.

Second, the Coalition proposes measures to assure much more effective cost management. These measures are designed to achieve two goals. The first – to be accomplished in five years – is to bring increases in the costs and premiums associated with the core benefit package into alignment with increases in per capita gross domestic product. The second is to increase the value for patients that would be generated by any given level of health care spending.

Our members believe that over time, the health care system must be made far more efficient by providing more and better information for patients, providers, and purchasers; improving the quality and outcomes of care; and building a national information technology infrastructure for health care.

But we also believe that the urgent need for cost relief requires short-term constraints, even as these other measures are being implemented. These constraints would include rates for reimbursing providers for care encompassed by the core benefit package and, only after those rates take effect, limits on increases in insurance premiums for the core benefit package.

Third, our members call for a major national effort to improve the quality and safety of health care. This effort would include the accelerated

development of an integrated national information technology infrastructure for the health care system, as already noted. It would also include the development of evidence-based practice guidelines, which would help to reduce waste as well as improve quality and safety.

Fourth, our members call for steps to make the financing of health care more equitable, including the reduction over time of inequitable cost-shifting across categories of insurance programs and payers. Our report identifies mechanisms that could be used to fund the upfront program costs of reform.

Lastly, the Coalition recommends steps to simplify the administration of health care. The reforms we propose -- including universal coverage, a standard benefit package, and the creation of a national information technology infrastructure -- would dramatically simplify the system, reduce the cost of administration, and enable health care markets to function more effectively.

### **III. The Business Case for Reform**

The Coalition commissioned an independent assessment – by Professor Kenneth Thorpe of Emory University, whom I mentioned earlier – of the costs and savings that would be associated with health care reform along the lines commended by our members. Using conservative assumptions, Professor Thorpe modeled the impacts of four scenarios consistent with the Coalition’s specifications.

He found that in all four scenarios, the cost of a reformed system would be less – much less -- than the cost of continuing with the status quo.

In fact, the savings would be huge. By year 10, annual system-wide savings would range between \$125 billion and \$182 billion – depending on the scenario pursued -- and the savings would grow year to year after that. In the first decade after implementation, system-wide savings could exceed one trillion dollars.

Of course, the benefits of reform go well beyond these direct dollar savings. System-wide health care reform, consistent with the specifications that our member organizations have developed, would insure that every American has health insurance.

**It would improve the quality of care throughout the health care system, and, by doing so, save lives and reduce unnecessary injuries and harm to patients.**

**And it would help to safeguard and advance economic growth and living standards.**

**The simple truth is this: We can afford health care reform. What we cannot afford is a continued failure to address the crisis in health care, which encumbers our entire economy and imperils both the safety and prosperity of all Americans.**

**Reform, then, would be a good deal for America. It would also be a good deal for companies that provide health coverage now, in our current sprawling, undisciplined system**

**We asked Professor Thorpe to model the impacts of our recommendations on such companies, and here is what he found:**

**Constraining the growth in the costs and premiums for services covered by the core benefit package – to bring that rate down to approximately the rate of increase in per capita gross domestic product – would effectively produce a 3.5 to 4 percentage point reduction in the rate of growth in private health insurance spending.**

**In dollar terms, he projected that – depending on the reform scenario pursued -- firms providing health coverage now would collectively save, in the first decade of implementation, between \$585 billion and \$848 billion.**

#### **IV. The Path to Reform**

**In closing, I want to offer four thoughts to you about the path to reform, .**

**First, the significance of the recommendations that I've just described goes beyond their analytic merits. I believe that the Coalition's recommendations are politically important.**

**Why? Because they reflect extended negotiations and, ultimately, consensus across so many different types of major organizations and interests.**

**Reform, when it comes, will have to be built on precisely the kind of consensus across categories that the Coalition has managed to construct.**

**And the members of the Coalition are committed to working hard to advance the prospects for attaining these reforms – by educating their members and employees and by reaching policy makers and opinion leaders.**

**Second, system-wide health care reform should be a national priority, pursued by those in both political parties.**

**As a practical matter, we can make the changes we need only with a bipartisan effort.**

**Third, we need to proceed with a real sense of urgency.**

**The longer we wait to secure health insurance for all Americans, the more Americans will become uninsured and the longer they will suffer.**

**The longer we wait to constrain the wild rates of increase in health care costs, the more our economic growth, job creation, and competitiveness will be undermined.**

**And the longer we wait to address the epidemic of sub-standard care, the more Americans will die prematurely or be unnecessarily harmed.**

**Fourth, and finally, the support for action on health care is already broader and deeper than many realize. Public opinion polls show that nearly 80 percent of the public is ready for fundamental health care reform.**

**That is a clear preponderance.**

**And that level of support for health care reform is a good basis not for easy confidence, but for realistic optimism.**

**Optimism that if we all work hard – with a shared sense of purpose, determination, and a commitment to building consensus -- we can secure the reforms needed to assure all Americans, and all Floridians, affordable and high-quality health care.**

**Thank you for your attention. I would be glad to answer any questions.**

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