

“The Health Care Crisis and Specifications for Reform”

Briefing to the Medical and Dental Doctors in Congress Caucus

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It is good to be here with you to speak about the crisis in health care and what can and should be done about it.

I want to thank Congressman Snyder, Congressman Gingrey, and the other members of the Caucus for inviting the National Coalition on Health Care to take part in this briefing. And I want to thank David Hollingsworth in Congressman Snyder’s office for his helpfulness.

And I do want to say that as a physician myself – and this is of course a strictly non-partisan comment -- I am glad that there are medical and dental doctors here in Congress, especially when important issues of health care policy are being considered.

My remarks this afternoon will be in three parts:

- First, I will describe and quantify the major elements of the health care crisis.**
- Second, I will summarize the recommendations of our Coalition for addressing that crisis.**
- Third, I will say just a few words about the prospects for reform.**

My observations will reflect the views of the membership of the Coalition.

Our Coalition is the nation’s largest and most broadly representative alliance of organizations working for system-wide health care reform.

Our membership includes about 75 of the nation's largest companies, unions and professional organizations; patient advocacy and consumer groups; associations of health care providers; health and pension funds; higher education councils; insurers; and religious denominations. A list of our member organizations is included in your materials.

Many of the organizations in the Coalition are major forces in the American economy, in our society, and in the health care system -- for example, the AAFP, the AARP, the AFL-CIO, the American Cancer Society, the American Heart Association, General Electric, Ahold U.S.A., Duke Power, the Principal Financial Group, the California Public Employees Retirement System, the National Council of Churches, UnitedHealth Group, and the Salvation Army.

There are literally hundreds of billions of dollars of health care purchasing power, and trillions of dollars of corporate asset ownership, represented around our 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 of our nation's population.

The next time somebody tells you that there is not much support for system-wide reform, you can set the record straight.

The Coalition is 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 Gorge H.W. and Jimmy Carter.

Why does our Coalition share such a sense of urgency about the need to reform health care? Because we believe that the problems in health care are severe -- and because we 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

The Coalition has focused on three massive and interrelated problems in the American health care system, any one of which would itself be cause for alarm.

- **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.**

In 2010, health care spending in America will exceed \$2.7 trillion – an increase of about a trillion dollars since 2004.

The United States spends much more on health care on any other nation. In fact, on a per-person basis, we spend more than two-and-a-half times the average for advanced industrialized countries.

Yet despite our much higher expenditures, 34 nations have higher life expectancies than the United States. Forty-one nations have lower infant mortality rates.

And our costs are growing rapidly.

According to the most recent survey of employer-sponsored health coverage by the Kaiser Family Foundation, In just six years (from 2000 to 2006) health insurance

premiums leaped 87 percent -- more than four times the cumulative increase over that same period in overall inflation and in earnings.

The average annual premium for family coverage last year was nearly \$11,500 -- up from about \$6,300 in 2000.

And the direct costs to employees who have coverage are already much higher than most people recognize. Tomorrow, at our Coalition membership meeting, a speaker from Milliman, Inc., a leading actuarial consulting firm, will present the findings from a brand-new study of health care costs. According to that study, the average employee covered by an employer-sponsored plan will incur costs this year of \$5,591 – including \$3,171 in payroll deductions and \$2,420 in cost-sharing.

These enormous costs are making it much more difficult for employers to continue providing health coverage -- or to sustain the same levels of health coverage and financial contribution -- for employees and retirees.

And they are making it much more difficult for individuals and families to pay their shares of costs under employer-sponsored plans or to buy health insurance themselves.

The climb in health care costs is no longer only a health care issue. It has now created a gigantic, multi-faceted national economic problem.

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

Surging health care costs also slow the rate of job growth by making it more expensive for employers to hire new employees.

They increase total compensation costs and constrain potential wage increases.

They erode the living standards of those who receive retirement income

They drive up program expenditures and thereby create severe federal and state budget problems -- at a pace that the Government Accountability Office has called “unsustainable.”

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

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

We have reached the point where America’s top domestic concerns -- economic growth, jobs, retirement security, and health care -- are now bundled together. Economic growth, jobs, and retirement security cannot be assured unless health care costs are tamed.

The second facet of our health care crisis is a huge and growing number of Americans without any health insurance.

As President Bush’s Council of Economic Advisers noted in a recent report, “Rising costs of health care and health insurance are creating financial burdens for families and employers and increasing the number of uninsured.”

As a result, the number of uninsured Americans rose to about 45 million in 2005 - - an increase of nearly 7 million in just five years.

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 health coverage.

According to a study by Professor Kenneth Thorpe, a respected health care economist at Emory University, these surcharges add a large amount – more than \$900 per year -- to the average cost of employer-sponsored family coverage.

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.

And despite the heightened attention and effort devoted to improving the quality of care, that chasm endures. A major RAND study of care delivered in twelve major metropolitan areas found that only 54.9 percent of patients received recommended care – a proportion that varied little across the categories of preventive, acute, and chronic care. Mismatches of this magnitude would not be tolerated in most industries. Why are they permitted to persist in health care, where they cost lives and produce pain and suffering?

Hundreds of thousands of Americans die prematurely each year because of sub-standard care. Millions more are harmed.

Unnecessary accidents, errors, and poor quality are now the nation's third leading cause of death, just behind cancer and heart disease.

The status quo in health care is unacceptable. The costs of continued inaction are enormous. What should we do?

II. A Path Forward: Specifications for Reform

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

Our more detailed report is included in your information packets. For now, I just want to summarize our recommendations, which 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 package, which is outlined in the report. Employers would be able to provide, and individuals would 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.**

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. 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 aggressively 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.

As a physician myself, I can understand that medical professionals might be apprehensive about this element of the Coalition's recommendations. Let me be clear: We are not advocating any cuts in reimbursement.

To the contrary: Our view is that if the rate of increase in costs can be slowed to a pace that can be sustained over time, we can avoid the sorts of sudden and draconian cuts, for some categories of care and providers, that we are already seeing in the current, unconstrained system.

We are proposing that these cost management measures be adopted not as stand-alone steps, but only in the context of a thoroughgoing reform of the health care system. We believe that not only patients and payers, but also providers, would be better off in a better system.

Third, our members propose a major national effort, coordinated by an independent board with members drawn from the public and private sectors, to improve the quality and safety of health care. This effort would include the accelerated development of an information technology infrastructure for health care and national practice guidelines.

These guidelines could be adduced by medical professionals and provider organizations in malpractice cases as evidence of what is considered best medical practice. Conformance to these guidelines should help to protect medical professionals against frivolous or marginal lawsuits.

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 – which would save money and help to reduce the burdens, and the frustrations, of providers and patients.

Our Coalition commissioned an independent assessment -- by Professor Kenneth Thorpe, whom I mentioned earlier-- of the costs and savings that would be associated with the steps we have recommended.

He modeled the impacts of four scenarios consistent with our specifications and 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.

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.

III. The Prospects for Reform

We are at a critical juncture now – in terms of the state of the health care system, but also in terms of the state of political dialogue about it.

Recent surveys have made it clear that Americans are more worried about their health care system, and more focused on the need for health care reform, than they have been since the early 1990s.

And, according to a new Kaiser tracking poll, health care is now the domestic issue that voters are most concerned about – and the one that they most want to hear about from presidential candidates.

In this context, the National Coalition on Health Care is in a distinctive position to advance the prospects for reform

- because of the reach and breadth of our membership,
- because of our development and support of comprehensive and specific recommendations for reform;
- and because of our rigorous non-partisanship.

And we are working hard to promote progress

- through meetings with members of Congress, presidential candidates, governors, and their staffs;
- through an extensive communications campaign;
- through efforts to help organizations in the Coalition educate and inform their members, employees, congregants, and volunteers;

- **through policy studies and testimony;**
- **and through presentations to major groups of decision-makers throughout the country and across the economy.**

We know that the achievement of system-wide health care reform will not be easy. The issues are complicated, and the stakes are enormous.

But change is essential. Our health care system is in crisis, and that crisis is hurting our people, hindering our economy, and compromising our future.

This is a fight that is well worth waging.-

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