

**“The Health Care Crisis and Higher Education”**

**Speech to the Annual Meeting of the American Council on Education**

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**It is good to be here with you this morning and to have an opportunity to speak with you about our nation’s health care crisis, its implications for institutions of higher education, and what can and should be done to deal with the crisis we face.**

**I want to begin by thanking all of you for participating in this important discussion and by thanking the American Council on Education – and, especially, David Ward, Ben Quillian, and their colleagues – for recognizing the significance of these issues for Americas colleges and universities.**

**The American Council on Education is an active – and important -- member of the National Coalition on Health Care and has helped to make sure that the perspectives and interests of higher education have been well and ably represented in our deliberations and activities. We have worked closely together, and in collaboration with other members of the Coalition, to advance the prospects for progress on health care reform.**

**My remarks this morning will be in three parts.**

**First, I will discuss the nature and magnitude of the health care crisis -- what is going badly and what needs to be fixed. I will pay particular attention to how this crisis affects institutions of higher education and those you employ and educate.**

**Second, I will describe briefly our Coalition's recommendations – your Coalition's recommendations -- for health care reform.**

**And third, I will offer some thoughts about how our Nations institutions of higher education could help to build public understanding and encourage and inform the robust national dialogue about health care, without which necessary reform will not be achieved.**

**My observations will reflect the views of the Coalition, which is the nation's largest and most broadly representative alliance of organizations working for system-wide health care reform.**

**Our Coalition consists of more than seventy of the nation's largest companies; unions and professional organizations; patient advocacy and consumer groups; health care providers; health and pension funds; higher education associations; insurers; and religious denominations.**

**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; the American Cancer Society; Duke Energy; Exelon Corporation; the Principal Financial Group; our nation's largest health and pension funds, including the California and New York state public employees and teacher retirement systems; the National Council of Churches; UnitedHealth Group; the Salvation Army; The National Education Association; The American Federation of Teachers – and, of course, the American Council on Education.**

**Our members from the higher education community include -- in addition to the American Council on Education – the American Association of Community Colleges, the American Association of State Colleges and Universities, the Association of American Universities, and the National Association of Independent Colleges and Universities.**

**Collectively, our member organizations account for hundreds of billions of dollars of health care purchasing power and through their pension funds have trillions of dollars of corporate asset ownership.**

**And they represent -- as employees, members, volunteers, or congregants - - more than 150 million Americans.**

**The Coalition is 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 Bush and Carter, and until recently, included President 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**

We see three huge and interrelated problems in American health care, 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 costly and dangerous care.

Let's begin by considering costs.

**The costs of health care are surging at extraordinary rates.** In only 3 more years national health care spending will exceed \$2.7 trillion -- nearly a trillion dollars more than was spent two years ago.

In just the past six years, health insurance premiums have leaped 87 percent -- more than four times the cumulative increase over that same period in overall inflation and in earnings.

Nationally, the average annual premium for family coverage has nearly doubled since 2000 and is now almost \$11,500.

These enormous increases in premiums 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.

This year, America's colleges and universities will employ more than three million people and educate more than 17 million students, many of whom will receive health care from and through the institutions they attend. When we take into account as well retirees from college and university positions and the dependents of current employees, it seems clear that the higher education community is one of the nation's largest employers and,

**as such, has huge fiduciary responsibilities for the provision of health and pension benefits.**

**As many of you will know well, soaring health care costs put major pressure on college and university budgets and can crowd out or inhibit other investments and expenditures.**

**Rapid premium increases are also making it much more difficult for individuals and families to pay their shares of the cost of employer-sponsored coverage or to buy health insurance themselves.**

**Out-of-pocket costs are growing rapidly. On average, the employee share of family coverage premiums has jumped from \$1,620 in the year 2000 to almost \$3,000 -- and that figure does not include increases in deductibles and other charges.**

**The escalation of health care costs is no longer only a health care issue. It has now created a gigantic 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 – including, of course, colleges and universities -- to hire new employees.**

**They drive up total compensation costs and constrain potential wage increases.**

**They reduce the living standards of retirees – including your retirees -- because rapidly growing out of pocket costs are siphoning off more and more of their incomes and pensions. In fact it is estimated that rising out of pocket health care costs will eventually consume almost 30% of the average incomes of retirees. That is why the Nations largest pension funds have joined us in the fight to control health care costs and reform the system.**

**Rising costs also generate contentious and destructive collective bargaining issues.**

**They drive up program expenditures and thereby create severe federal and state budget problems. In particular, as health care costs surge, states have less money to invest in 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. Simply put, economic growth, jobs, and retirement security, including pension adequacy, cannot be assured unless health care costs are controlled.**

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**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, we now have 47 million uninsured Americans -- an increase of almost 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 recent study by Professor Kenneth Thorpe, a respected health care economist at Emory University, these surcharges add nearly a thousand dollars to the average annual cost of family health coverage.**

**As a practical matter, your institutions are paying – literally – for America’s failure to assure health coverage for all Americans. And that tab will only increase – because of rising health care costs and rising numbers of uninsured – until we reform the system.**

**The third major problem in our health care system is an epidemic of sub-standard care. There is a huge gulf -- what the Institute of Medicine has called a “quality chasm” -- between the care that patients –your employees– should receive and the care that is actually delivered.**

**As a result, literally 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 estimated to be the nation’s third leading cause of death, just behind cancer and heart disease.**

**Health care quality is also an enormous cost issue. Some experts have estimated that we may be wasting more than \$600 billion a year because of sub-standard care.**

**So these are the problems we face. The status quo in health care is not only unacceptable, it is unsustainable. The costs of continued inaction are enormous and the reforms being proposed by the administration are inadequate. So what must we do?**

## **II. A Path Forward: Specifications for Reform**

**Our Coalition has developed a set of answers to that question. Our members believed that we needed to go beyond the articulation of general goals and principles for reform – that it was time to develop a blueprint for reform. And so we did.**

**After more than a year of study and deliberations, the Coalition issued a major report at the U.S. Capitol that reflects a consensus among our members. It is the most ambitious and comprehensive health care reform proposal in the national debate today.**

**Our report, with a more detailed discussion, is available at the Coalition web site, [www.nchc.org](http://www.nchc.org). 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 enabling 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.

None of these options implies or necessitates a government-run system and any one of these (or a combination) will work. 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 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 national practice guidelines, and, as already noted, the accelerated development of an information technology infrastructure for health care.

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, increase efficiency, and help to reduce the burdens, and the frustrations, of providers and patients.

Our 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 similar to those applied by the Congressional Budget Office, Professor Thorpe modeled the impacts of four scenarios consistent with our 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 Coalition's specifications, would insure that every American has health insurance.

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

And it would help to safeguard and advance our nation's 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 imperils both the safety and prosperity of all Americans.

### III. Building the Momentum for Reform

Before I discuss some of the specific steps that the Coalition will be taking to build the momentum for reform, I want to make three comments about the current context.

**First, with respect to health care, we are now at what some educators call a teachable moment – a juncture when the public is receptive to, and in fact eager for, information about our health care system and ideas for improving it.**

**Why? Because so many people are – please forgive the expression – worried sick. A new survey by the Harvard School of Public Health and the Robert Wood Johnson Foundation found that 75 percent of Americans think that the health care system is in crisis or has major problems.**

**According to another poll – just released by the Commonwealth Fund – 84 percent of Americans believe that controlling health care costs should be a very important priority for presidential or congressional action.**

**In the same survey, 80 percent of respondents said that assuring universal health coverage should be a very important priority. Americans are unhappy about the status quo, and they are ready for some answers.**

**Second, this past November’s congressional elections create some new opportunities to advance the prospects for health care reform. The Coalition is non-partisan, and we do not take sides in or about elections.**

**What is clear, though, is that in the aftermath of the November results, political leaders in both parties – in the White House and on Capitol Hill – are rethinking and reformulating their agenda. In particular, they are looking for issues and initiatives that can be worked on across party lines. And that is where we, and health care reform, can come in.**

**Which leads to my third observation: The Coalition is in a unique position to advance the prospects for reform in the current context.**

**We can make the case – and we will make the case – to political leaders that there is already, in the form of the Coalition, broad support, across party lines and segments of the economy and society, for a specific set of tough measures to build a better health care system.**

**On this, the most important issue of domestic policy, both parties can work to advance the interests of the nation, knowing that they will have support and collaboration from a Coalition that already represents half the population.**

**Here, then, are some of the specific steps we are taking:**

**First, we are meeting with key members of Congress and their staffs to make the substantive case for health care reform and to remind them that our Coalition – which represents a cross-section of America – stands ready to support measures along the lines of what our members have recommended.**

**Second, and very specifically, we are meeting with the chairs and ranking minority members of congressional committees and subcommittees with health care responsibilities and urging them to convene hearings, early in the new Congress, about system-wide health care issues and options.**

**These would be much wider in scope, and much more ambitious in their consideration of alternative policies, than the hearings held in the congressional session now drawing to a close.**

**In our conversations on the Hill, we are seeking opportunities to help plan – and then to testify at – the proposed new hearings.**

**Third, we are reaching out to prospective presidential candidates and their advisors, to brief them about the health care crisis and potential remedies. We are considering options for encouraging presidential candidates to speak out about health care reform, including the possibility of convening or co-sponsoring candidate forums. Several of them have already spoken to our Coalition and Governor Romney has agreed to be our next speaker.**

**Fourth, we are following up with governors – including many with whom we have already had constructive meetings – to urge them to advocate national reforms, to convene with the Coalition’s help public forums to educate the public about these issues, and to help explain how potential system-wide reforms could help address and mitigate health care problems in their states.**

**Fifth, we are developing and customizing materials for Coalition organizations to use in communicating to their members, employees, and congregants. We will continue to seek opportunities to brief journalists and help them with story ideas and background information, and we will issue a steady stream of press releases, Coalition statements, and opinion pieces.**

**Sixth, we will continue to analyze health care issues and proposals, including systemic and incremental bills and initiatives – with a special**

**emphasis in the near term on the effects of escalating health care costs and the impacts of our proposed reforms.**

**And seventh, we will continue to broaden the constituency for change – and the capacity of the Coalition to educate and engage Americans where they live, work, worship, and volunteer -- by encouraging additional organizations to join our effort.**

#### **IV. A Role for the Higher Education Community**

**Our country needs a robust dialogue and debate about the crisis in health care and, especially, the options for addressing it, and we need to build the public support necessary to achieve reform.**

**Institutions of higher education can help to frame and inform discussions of health care and health care reform that could educate people on and off your campuses – including members of the general public and leaders in a wide range of sectors of our economy and polity, about these issues.**

**Your institutions have the credibility, the resident expertise, the reach, the values, the esteem, the communications capacities, and the recognized intellectual leadership to encourage, frame, and inform the serious dialogue – what Daniel Yankelovich has termed the coming to public judgment – that our nation needs now on what to do about health care.**

**That dialogue can take many forms – and forums. One can imagine town meetings, lectures series, public debates, web casts and web chats, seminars, and even printed materials that summarize and explain alternative proposals.**

**Our Coalition would welcome opportunities to work with you, in any way that you would find useful, to advance understanding of the stakes and the options.**

**The physical and financial security of Americans, now and for generations to come, could be profoundly affected by our ability to work through these difficult issues and work toward a sensible strategy for dealing with the crisis we face in health care.**

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

**And we know that those who think that their interests are served by the status quo will resist the change.**

**But change is essential.**

**This is a fight that is well worth waging.**

**It is a fight that we can win—with hard work and resources and collaboration and determination.**

**And it is a fight that with your help we will win—for the well-being of our nation and all Americans.**

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**Founded in 1918, ACE is the major coordinating body for all the nation's higher education institutions, representing more than 1,600 college and university presidents, and more than 200 related associations, nationwide. It seeks to provide leadership and a unifying voice on key high education issues and influence public policy through advocacy, research, and program initiatives.**