

**“System-wide Health Care Reform:
Making the Case and Building the Momentum”**

**Speech to the National Coordinating Committee for
Multiemployer Plans**

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Thank you, Randy and good morning ladies and gentlemen. I am pleased to be here with you to talk about the health care crisis facing our nation and what must be done to address it.

We meet today one week after a remarkable election that has forced leaders in both parties -- and in both the executive and legislative branches of our national government to rethink their priorities and agendas. The public was clearly dissatisfied with the status quo.

In light of that and given the severity of the health care crisis we face, the members of the National Coalition on Health Care, have a major opportunity to make the case that health care reform should be the top domestic priority for the President and Congress. My remarks today will explain why.

My presentation will cover five topics.

- First, I will describe the nature and magnitude of the crisis we face.
- Second, I will summarize what our Coalition believes must be done to deal with this crisis.
- Third, I will say a few words about the benefits that would be achieved by the health system reforms we propose.
- Fourth, I will discuss the steps that the Coalition will be taking to build the momentum for reform.
- And finally, I will offer some closing thoughts on why and how all of you and all Taft-Hartley Funds should become deeply involved in the cause of health system reform.

* The NCCMP formed in 1974 for the purpose of advocating on behalf of the nation's jointly-managed, collectively-bargained multi-employer benefit plans with the United States Congress, federal courts, and federal agencies. It represents the interests of the nearly ten million active and retired workers and their dependents who depend on multi-employer defined benefit pension plans for retirement income, and the approximately twenty-six million workers, retirees, and their families who rely on multi-employer health and welfare benefit plans for health and other benefits. The NCCMP represents the interests of thousands of plans with members in every major segment of the multi-employer plan universe.

My observations will reflect the views of the membership 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, patient, consumer and health care provider groups; health and pension funds, insurers, and all our nation's major religious denominations. This faith-based participation enables us to speak out about the serious ethical problems inherent in our troubled system.

The NCCMP is an active member in the Coalition, and I can tell you that Randy DeFrehn represents your views and interests energetically and with great skill and we are grateful for your involvement.

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 AARP, the AFL-CIO, the American Cancer Society, General Electric, Ahold U.S.A., Duke Power, the Principal Financial Group, the California, New York and Illinois Public Employees Retirement Systems, the National Council of Churches, the Salvation Army -- and, of course, the NCCMP.

There are literally hundreds of billions of dollars of health care purchasing power, and trillions of dollars of corporate asset ownership, represented at our table.

Collectively, our member organizations represent -- as employees, members, volunteers, or congregants -- more than 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.

In this week after the election, I should also emphasize that our 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, Carter, and Ford.

Why does our Coalition and why should Taft-Hartley Funds have such a sense of urgency about the need for system reform? It's because the problems in health care are severe -- and because in the absence of system-wide change, these problems will only deepen, hurting our nation, our people, and your funds.

I. The Crisis in Health Care

There are three huge and interrelated problems in our nation's health care system.

- First, rapidly escalating costs;
- Second, a huge and growing number of Americans without any health coverage or with inadequate coverage, and

- Third, an epidemic of sub-standard and dangerous care.

Let's begin by considering costs. The costs of health care are surging at extraordinary rates.

In only 4 more years, health care spending in America will exceed \$2.7 trillion -- nearly a trillion dollars more than was spent just two years ago.

In 2003 -- the most recent year for which cross-national comparative numbers are available -- the United States spent more than \$5,600 per person on health care, more than two-and-a-half times the per-person average for advanced industrialized countries, all of whom have universal coverage.

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

And our costs are growing rapidly. 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.

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

These enormous increases 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.

They 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.

As many of you know well, escalating health care costs put great pressures and constraints on contract negotiations.

And when cost increases are in excess of the levels planned for, as they often are, they can also put great stress on the finances of Taft-Hartley plans.

Growing out of pocket health care costs are eroding the living standards of retirees by siphoning off more and more of their incomes.

I want to share with you some startling numbers from an analysis by Richard Johnson and Rudolph Penner of the Urban Institute. Penner is a former director of the Congressional Budget Office.

Johnson and Penner projected increases in out-of-pocket health care costs and median after-tax income from all sources -- including Social Security, pensions, wages, and investments -- for older unmarried adults and for older married couples.

They estimated that in 2030 out-of-pocket health care costs will take up 30.3 percent of after-tax income for older unmarried adults, up from 17.3 percent in 2000.

And, incredibly, they calculated that in 2030 out-of-pocket health care costs will consume 35.1 percent -- 35.1 percent -- of after-tax income for older married couples.

That's more than double the proportion -- of 16.0 percent -- consumed by out-of-pocket health care costs in 2000.

If as a society we fail to address the health care crisis effectively, the good work that you do for employees and retirees -- regarding health care benefits and pensions -- will be offset, confounded, and undermined by escalating health care costs.

Not a pretty picture. And not, as it turns out, a complete picture.

The reason is that the climb in health care costs is no longer only a health care issue. Rising health care costs have now created a gigantic, national economic problem.

For 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 drive up program expenditures and thereby create severe federal and state budget problems -- at a pace that the Congressional Budget Office, the General Accountability Office, and the Chairman of the Federal Reserve Board have all called "unsustainable."

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 contained.

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 are creating financial burdens for families and employers and increasing the number of uninsured."

As a result, the number of uninsured Americans rose to 46.6 million in 2005 -- 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.

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 that your plans pay so much for.

As a result, hundreds of thousands of Americans die prematurely each year because of sub-standard care, and 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.

So these are the problems we face. They are huge and rapidly growing worse. 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. A Path Forward and 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 at the Capitol that reflects a consensus among our members. Ours is the most ambitious and comprehensive proposal in the national debate today.

The report is in your packets and because our time is limited, I will very briefly summarize our Coalition's recommendations which fall into five categories:

First, our members call for coverage of all Americans within two to three years. We recommend that Congress specify a core benefit package, which is outlined in our report. Individuals and employers 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 implies or necessitates a government run system and 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. Our proposal parallels many of those recommended by the Institute of Medicine of the National Academy of Sciences.

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 dramatically simplify the administration of health care -- which would save money and help to reduce the burdens, and the frustrations, of providers and patients. Most importantly the changes we recommend would enable health care markets to function more effectively.

III. Impacts of Reform

Now I want to spend a few minutes speaking with you about the business and economic case for reform.

Our Coalition commissioned an independent assessment by one of our nation's most respected health care economists, Professor Kenneth Thorpe of Emory University, whom you will be hearing from on the costs and savings that would be associated with health care reform along the lines we have recommended. His report is also included in your materials.

Professor Thorpe modeled the impacts of four scenarios consistent with our specifications, and the bottom line of his analysis is this: 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.

Ken also modeled the impacts of the Coalition's recommendations on employers who provide health coverage now, and, as you will hear from him, such employers stand to save, depending on which scenario is pursued, approximately 600 – 850 billion in the first ten years of implantation.

But let me try, for a moment, to translate those aggregate projections in a way that you might find especially vivid and compelling.

Think about the average annual rate at which your plan's per-employee health care costs have increased over the past few years. Now think about how much money your plan would save if that rate of increase dropped to less than 4 percent -- and stayed there year after year.

For most plans, the savings would soon add up to serious money. But there is another benefit to take into account: the benefit, to labor and management, of actually knowing what the rate of increase will be each year.

No longer will you have to guess and hope for the best, or go through protracted negotiations over what rate of increase to build into multi-year agreements.

Not only would the costs of health benefits be much lower than in the current unconstrained system, but the financial risks -- of cost increases in excess of what was planned for -- would be dramatically reduced.

This is why health care reform, as recommended by our Coalition, makes so much sense for both business and labor -- and why we think it makes sense for business and labor leaders, including all of you, to rally to this cause.

Of course, I need to emphasize as well that the benefits of reform go well beyond these financial savings. The system-wide health care reforms we propose 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 do not need more money, we need a new system. 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.

IV. Building the Momentum

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 for our work together.

First, we are at a critical juncture, because the public is now receptive to, and in fact eager for, change in our health care system and ideas for improving it.

Why? Because so many people are 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 ABC News, USA Today, and the Kaiser Family Foundation -- 80 percent of Americans are dissatisfied with the cost of health care in this country, and 60 percent of insured Americans are worried about being able to afford health insurance over the next few years.

Americans are unhappy about the status quo, and they are ready for change.

Second, last week's election creates 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 this election, 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 important issues and initiatives that must 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.

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.

Looking ahead, here are some of the specific steps we will be taking:

First, we will be 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. This process has already begun.

Second, and very specifically, we will be 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.

Third, we will reach out to prospective presidential candidates and their advisors, to brief them about the health care crisis and potential remedies. Again, this process has already started. Governor Huckabee and Senator Frist have already met with the Coalition, and Governor Romney will soon do so.

Fourth, we will be following up with other governors -- including many that we have already had constructive meetings with -- 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. We have already done this in five states.

Fifth, we will develop and customize 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.

And 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.

In fact, early next year we plan to issue a new study by Professor Thorpe that will compare the prospective impacts of our recommendations with those of the reforms that have been proposed to date by the Administration.

V. Engagement

In closing, let me offer a few thoughts and suggestions for you to consider.

What has been largely missing from the national discussion of health care policy is recognition of the linkage between escalating health care costs, the health of our economy, and middle-class economic security.

What has also been missing is an understanding of the impacts that rising health care costs have specifically on the viability of Taft-Hartley plans and of other health and pension funds -- and on the living standards of beneficiaries, now and in the future. Again, you and the plans that you lead can help to explain that linkage and why sound economic strategy has to include major health care reform.

You know from your work on pension legislation, how much good a broad alliance of organizations can do and how much credibility and force can come from diverse entities working together in a common cause.

We hope you will decide to work intensively on the health care crisis and we hope that more of you will join with us and bring your voices, your knowledge, your influence, and your capacities to communicate, educate, and advocate to this effort.

And, frankly, we hope that more of you will also earmark the financial resources necessary to win the reform battle. For opponents of reform are spending hundreds of millions of dollars to fight reforms which would protect your beneficiaries' interests, and they will spend even more as the debate intensifies. For your beneficiaries' sake you must now do the same.

Taft-Hartley plans collectively spend hundreds of millions of dollars each year on consultants and technical assistance to maximize returns and benefits. These expenditures are accepted as appropriate though I think you would have to admit your results too often are marginal.

Your investments of time and money in the battle for system-wide health care reform are every bit as appropriate -- and even more necessary -- to protect the fiscal integrity of your plans and the well-being of your millions of beneficiaries and their families.

The stakes are enormous, for our society and for the people you try to help. Let them know -- and let policymakers know -- that you are dissatisfied with the status quo, that you believe that a better health care system is both possible and essential. If you agree, we would welcome your involvement in the fight for health system reform.

Together, we can, and we must, make a difference -- now and for future generations. Thank you. I am now prepared to answer any questions you might have.
