

Address to the New Mexico League of Women Voters

Health Care Reform Conference

“Building a Better Health Care System”

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Thank you and good afternoon everyone. It's good to be here, with all of you, for this important meeting.

I want to begin by commending the New Mexico League of Women Voters for its leadership in recognizing the significance of the health care challenges facing the people of New Mexico and all Americans; the need to make real progress in addressing them; and the usefulness of a forum like this one to encourage the dialogue that will help us move forward.

My remarks today will reflect the views of the National Coalition on Health Care: the nation's largest and most broadly representative alliance of organizations working, for system-wide health care reform. We are pleased to be part of this forum and to have this opportunity to help frame your discussions. I have been asked to describe the national problems affecting our entire health care system, including yours here in New Mexico. Senator Feldman will then describe what she feels New Mexico must do to cope with these problems.

Our Coalition has a perspective and as you will hear, an agenda that are national in scope. However, I want to emphasize at the outset that much is being done, here in New Mexico and in other states, to advance the public's understanding of health care and to put in place initiatives to improve affordability, access, and quality. Senator Feldman will say more about this in her remarks.

My comments today will be in four parts. First, I will discuss the nature and extent of the health care crisis – our conception of what is wrong and how this crisis affects us all.

Second, I will describe the Coalition's recommendations for health care reform – the steps our members believe will be necessary to build a more inclusive, more affordable, and safer health care system for all of us.

Third, I will offer some observations on what can be done and what is being done, in states to improve health care – and on the reasons why national action will be needed.

Finally, I will speak about how all of you can contribute to the prospects for progress.

I'll begin with, a few words about our Coalition:

The membership of the Coalition consists of more than ninety of the nation's largest companies; unions; patient advocacy and consumer groups; associations of health care providers; health and pension funds; insurers; and all the nation's major religious denominations.

Many of these organizations are huge in their reach and their roles in the American economy, in our society, and in the health care system – for example, the AARP, the AFL-CIO, the American Cancer Society, Verizon, Qwest, the California Public Employees Retirement System, the International Foundation of Employee Benefit Plans, the National Council of Churches, and the Salvation Army.

There are 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.

The Coalition is so broad; so diverse; and so big that it is fair to say that we do not represent any special interest. Instead, we represent the national interest in a better, more inclusive health care system.

We are 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 do our member organizations share such a sense of urgency about the need to reform health care? It is 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. So What are the Problems We Face?

We see three huge and interconnected problems in the American health care system, any one of which would itself be cause for alarm.

- the first, is rapidly escalating costs;
- second, a huge and rapidly growing number of Americans without any health coverage and/or without inadequate coverage;
- and third, an epidemic of sub-standard dangerous and costly care.

Let's deal first with costs.

The costs of health care are surging at the fastest rate in our history. National health care spending is expected to exceed \$2.7 trillion in 2010, nearly a trillion dollars more than we collectively spent last year.

Health insurance premiums have leaped 73 percent in just the past five years. Costs are rising five times faster than inflation and four times faster than wages.

The average annual premium for family coverage this year is nearly \$11,000 – up from about \$7,000 in 2000.

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

According to a recent Kaiser survey, 86 percent of the firms not offering health coverage to employees cited high premiums as a reason.

And 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.

On average, the employee share of family coverage premiums has jumped from \$1,620 in the year 2000 to \$2,713 this year – and that figure does not include increases in deductibles and other charges.

As a point of comparison, here in New Mexico, over the past two decades, personal health care costs have actually been rising about one percentage point a year faster than the national average.

So, it is no coincidence that the number of Americans without health coverage have been climbing.

As President Bush's Council of Economic Advisers noted recently in a report on the state of the economy, "Rising costs of health care and health insurance are creating serious financial burdens for families and employers and increasing the number of uninsured."

What I want to emphasize today is that the escalation of health care costs is no longer only a health care issue; it has now created a gigantic national economic problem affecting everyone.

As these costs rise, they slow the rate of economic growth – a point that President Bush himself recently made. 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 companies to add new workers.

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

They erode the ability of firms to fund current levels of pension and health benefits.

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

They generate contentious and destructive collective bargaining issues.

They drive up program expenditures and 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 called unsustainable.

For state governments in particular, they make it more difficult to allocate adequate resources to other priorities, such as education and infrastructure.

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

In sum, we have reached the point where the public's top domestic concerns – economic growth, jobs, retirement security, and health care – are now one and the same issue. These concerns cannot be addressed effectively unless health care costs are contained.

I'll have more to say in a little while about how costs can be contained, but I want to underscore one point here: This is a system-wide problem, and it's going to require a system-wide solution. No state can deal with this alone.

Because no private-sector purchaser or state – no matter how big, no matter how savvy – has enough clout to be able to tame health care costs on its own.

Not even General Motors, the very largest private-sector purchaser.

There has been a lot of media coverage recently about the new health care agreement between General Motors and the United Autoworkers. As a result of the agreement, General Motors will be able to trim its annual bill for health coverage by requiring current employees and, especially, retirees to pay more of the costs of their health care.

But let's be clear: That agreement doesn't slow the rate of increase in the costs of health care for GM employees and retirees – not at all. It just shifts some of those costs from the company to its employees and retirees. That will help GM's bottom line in the short term, but make no mistake; its health care costs – and the costs for its employees and retirees – will continue to rise from here.

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

According to the most recent official figures from the U.S. Census Bureau, the number of uninsured Americans rose to 45.8 million in 2004. That total represented a jump of more than 4.6 million in just three years.

Nearly 400,000 New Mexicans have no health coverage. That represents about 22 percent of the state's population. Only one other state – Texas – has a higher rate of uninsurance.

And as health insurance premiums continue to rise, so too will the incidence of uninsurance. Our Coalition projects that the number of Americans without health insurance will exceed 51 million in 2006 -- an addition of more than 10 million since 2001.

But even these 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.

Uninsurance also reduces productivity. On average, uninsured workers are less healthy, less functional, and, as a consequence, less productive.

A few words, just for perspective, about Social Security, which until recently, President Bush claimed was the nation's top domestic problem. According to the Congressional Budget Office, if Social Security isn't adjusted by Congress then -- in 2052 -- 45 years from now, it will be able to pay only about 80 percent of promised benefits to its enrollees.

By contrast, we have right now nearly 46 million Americans with no health coverage – zero percent of benefits.

Social Security is said to be in crisis. But the health care crisis is far larger and in need of immediate attention. In fact, the adequacy of Social Security and pension benefits cannot be assured unless we control health

care costs. The Administration has estimated that if health care costs are not contained, the average 18 beneficiaries will soon be spending 30-40% of his or her Social Security benefits to cover the out-of-pocket costs for health care.

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 and millions more are harmed. It is estimated that unnecessary accidents, errors, and poor quality of care are the nation’s third leading cause of death, just behind cancer and heart disease.

Health care quality is also an enormous cost issue. It is estimated that poor quality results in waste of more than \$500 billion a year.

So these are the problems we face. 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: Specifications for Reform

Our Coalition has developed a set of answers to that question. Last summer, after more than a year of study and deliberation, we issued a major report that reflects a consensus among our members. That report – entitled Building a Better Health Care System: Specifications for Reform, is the most ambitious and comprehensive proposal in the national debate.

We hope that because of the broad and growing support that our specifications have attracted, they will help to embolden political leaders to act.

Our Coalition’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 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 mechanisms -- 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 system-wide effort to improve the quality and safety of health care. A key element of this effort would be the accelerated development of an integrated national information technology infrastructure for the health care system, and mechanisms to

provide incentives and capital for the upfront investments necessary to build the infrastructure.

The Coalition recommends that public and private efforts to improve quality be coordinated by an independent national board, with members drawn equally from the public and private sectors. The board would also be responsible for coordinating the development of evidence-based national practice guidelines, which would help to reduce waste as well as improving 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.

Recently, the Coalition commissioned an independent assessment -- by a highly respected health care economist, Professor Kenneth Thorpe of Emory University -- 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.

In addition, as his projections indicate, employers large and small who provide coverage now -- and employees who receive it -- would save

massive amounts of money compared to the costs they would incur in the absence of reform.

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.

Our members believe that the health care crisis is the central challenge facing America at home – more important; more pervasive in its impacts; than any other domestic issue currently preoccupying our political leaders and policymakers.

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.

As I mentioned when I began, I was invited here today to provide a national perspective on problems in the health care system, but, I do want to make some observations about what states can do, and are doing, to improve health care – and on why we believe that national action will be needed.

To begin with, I commend Governor Richardson and other governors around the country who have sought to improve health care for the citizens of their states. This is difficult work – conceptually, politically, and financially – and it is important.

And there is in fact much that can be accomplished by and within states.

Some states have been able to increase access to care within their borders – for example:

- by expanding eligibility for Medicaid and the State Children's Health Insurance Program;
- by creating state purchasing pools for small businesses or for high-risk individuals and families;
- and by increasing the number of community clinics and the range of services they provide.

Some have also tried to moderate increases in health care costs for their citizens -- for example:

- by requiring more transparent pricing, and the availability of more readily comparable pricing information, from health care providers, including hospitals and physicians;
- and, by creating state purchasing pools for small businesses or for high-risk individuals and families as for bulk purchasing prescription drugs.

Others have worked to improve the safety and quality of care – through such initiatives as:

- reforming medical malpractice standards and providing financial assistance to categories of physicians with high malpractice insurance rates;
- requiring providers to report medical errors and adverse outcomes to them;
- providing purchasers and patients with more and better information about quality of care and patient outcomes.

This is a sampling – not an exhaustive listing -- of the kinds of steps that states have taken.

It is also, in effect, a sort of checklist – a menu of possible initiatives that states, including New Mexico, can consider. And, as I hope is clear, there has been a flurry of activity.

However, despite all these efforts, the number of uninsured Americans continues to rise, costs are still surging, and hundreds of thousands of Americans die each year because of sub-standard care.

Let me suggest a few reasons why the sum of these state efforts has not, and will not stem or reverse these national tides:

First, viewed from a national perspective, the sheer magnitude of these tides has overwhelmed state initiatives – as they have overwhelmed incremental changes by Congress.

The fact is that the problems in our health care system have been growing faster than the impacts of piecemeal strategies, at both the state and national levels, to address them. We need a systematic – and system-wide – program of comprehensive health care reform.

Second, states are facing severe resource constraints. Just about every state is grappling with mismatches between available revenues and the demands, and the needs, to which state governments are expected to respond.

Third, there are legal impediments to effective state action. In particular, ERISA – the Employee Retirement Income Security Act -- constrains the ability of states to require self-insured companies to conform to standards regarding the nature and extent of health coverage or to contribute funds to programs designed to reduce the number of uninsured.

Fourth, as a practical matter, many elements of health care reform involve problems or investments that naturally cross state lines. For instance, the forces that generate double-digit health increases in health care costs and premiums are national in scope. It makes sense to address them with national measures.

Similarly, many of the steps needed to improve the quality and efficiency of health care – such as the development of practice guidelines or of standards for the use of information technology – are best and most efficiently advanced on the national level, instead of having each state proceed on its own.

Fifth, competition among states complicates efforts to make progress within states.

Thus, for example, a state may be reluctant to place additional requirements on businesses for fear that some firms may decide as a consequence to relocate to other states.

In addition, a state may worry that if it offers more generous coverage for high-risk and high-cost population groups, citizens of other states may be inclined to move to that state to receive better benefits – and thereby drive up the first state's budgetary obligations.

Progress can and should be made in individual states pending the passage of national health care reform legislation, but we need national legislation to address our national health care crisis -- and we need it as soon as possible.

To conclude, we are under no illusions. The achievement of system-wide health care reform will not be easy. The issues are complicated, and the stakes are enormous.

What's more, we know that those whose interests are served by the present system – or who think that their interests are served -- will resist change.

And many of those interests will spend lots of money – literally hundreds of millions of dollars if need be – to protect their vested interests.

But change is essential – and all of you can help to advance the prospects for achieving it.

First, you can encourage the organizations that you lead, that you belong to, and that you are employed by to join the effort to reform the health care system.

Reform will happen when enough of us – and enough of the organizations that represent us – stand together and work together.

Second, you can look for opportunities – in your communities and voluntary associations and religious congregations – to encourage and organize dialogue about the health care crisis and options for addressing it.

You can make sure that this meeting has a ripple effect – that it helps to trigger a broader discussion, among more and more New Mexicans.

And third, the League of Women Voters and others can let public officials and candidates for office know that health care reform is an issue you care about – and an issue that you will weigh heavily in deciding whom to vote for.

At public events and in private meetings, in letters and e-mails, you can ask public officials and candidates their views on health care -- and you can urge them to support system-wide reform.

The fight for sensible and sufficient health care reform – for a system that assures all Americans affordable, high-quality care – will not be won overnight.

But make no mistake: With your engagement and that of millions of your fellow citizens, it will be won – for you and your families, for all New Mexicans and all Americans.