

## **Address to the Annual Meeting of the National Governors Association**

### **“The Health Care Crisis and America’s Governors”**

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Thank you Governor Granholm and good morning ladies and gentlemen. I am Dr. Henry E. Simmons, President of the National Coalition on Health Care. The Coalition is America’s largest and most broadly representative alliance of organizations working together for system-wide health care reform, including health insurance for all Americans, better cost management, and improved quality of care.

I am especially pleased to have this opportunity to lead off and help frame today’s discussion because I know that health care is a major concern for you and your fellow governors. In preparing for today, I was pleased to read in a recent NGA report that of the governors who delivered state-of-the-state or inaugural addresses earlier this year, nearly 90 percent named health care as a priority. As the report observed, “[t]his year, the discussion of health care costs and reform remained at the top of many state agendas.”

From our Coalition’s vantage point, that is as it should be, and it is encouraging. What is discouraging is that health care is not getting the attention it needs in Washington.

And I can tell you as well that the measures most often discussed in Washington now as steps forward -- medical savings accounts, association health plans, and modest tax credits for non-group insurance -- are not powerful enough to cope with the problems we face.

Over the past decade, the impact of congressional incrementalism has consistently lagged behind the rate at which our health care problems have grown.

You and your colleagues live with these issues -- grapple with them -- every day. And as chief executives and major employers, you tend to be pragmatists -- concerned about what really works and about how to get things done.

Our Coalition believes that it is time for America to be unabashedly pragmatic about health care.

We applaud those of you who have been able to make progress within your states -- by covering more of the uninsured, building purchasing pools, developing more and better information about health care providers and outcomes, and by taking other initiatives.

And we respect your efforts -- individually and collectively -- to sustain Medicaid programs and safety-net institutions even under enormous fiscal pressures. Those efforts are courageous and enormously important.

But you are swimming against very powerful tides and because the tools you currently have to deal with these forces are inadequate, you are unlikely to succeed no matter how hard you try.

The reason is that the forces that have created this crisis -- and the severe problems we face in all states -- are national in scope.

Progress can be made and has been made in individual states. But -- again, as a practical matter -- the resolution of this national crisis in health care is going to require major policy changes at the national level.

That is why we hope that even as you press ahead to do what you can, state by state, to defend and advance health care, you will also become increasingly active in advocating national, system-wide reforms that would protect your citizens over the long term -- reforms that would produce better and more affordable health care for all Americans.

I have been asked to explain why our Coalition has concluded that system-wide reform will be necessary and to provide some framing and context for the presentations which will follow.

My remarks today are in three parts. First, I will speak about the dimensions of the crisis in health care and about its connections to other major economic issues and challenges. Second, I will summarize our recommendations about what we believe should be done. And third, I will offer a few thoughts about the role that you and your fellow governors can play in framing and advancing a national debate about the choices before us.

To begin with, a few words about the National Coalition on Health Care:

Our ninety members -- major businesses and the nation's largest consumer, labor, provider, religious, and pension and health funds -- represent about 150 million Americans. Collectively, we speak for a broad cross-section of the American economy and society.

Our Coalition is rigorously non-partisan. Our Co-chairmen are former Republican Governor Robert D. Ray of Iowa, who is with me today, and former Democratic

Congressman Paul G. Rogers of Florida. Our Honorary Co-chairmen are former Presidents George H.W. Bush, Jimmy Carter, and Gerald R. Ford. Former Wisconsin Governor -- and former Health and Human Services Secretary -- Tommy Thompson has just joined our board of directors.

## I. The Crisis in Health Care

Our members believe that America faces a system-wide crisis in health care, which has three interrelated dimensions.

### A. Rising Costs

The first is rapidly, and relentlessly, rising costs. Health care costs are surging at unprecedented rates and in only five more years will exceed two trillion dollars, nearly a trillion dollars more than we spent last year. Health insurance premiums have been rising at double-digit annual rates, year after year. Over the past four years, premiums have increased six times faster than inflation and four times faster than wages. We have estimated that by next year the average health insurance premium for a family of four will exceed \$14,500.

What I want to emphasize today is that the extraordinary escalation of health care costs is no longer just a health care issue. It has now created a massive national economic problem.

Surging health care costs are a drag on economic growth. By cutting into operating margins, they reduce the capacity of firms to grow by investment in research, capital spending, and product development.

These costs also slow the rate of job growth by making it more expensive for firms to add new employees or retain existing employees.

They erode the ability of firms to fund current levels of health and retiree benefits and for current workers, rising costs are suppressing wage increases and take home pay.

They generate contentious and destructive collective bargaining issues and strikes.

They reduce the living standards of current workers and retirees as out-of-pocket costs for both groups soar.

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 draw resources away from other priorities, such as education.

They raise the health coverage spending obligations of governments -- including state governments -- as employers and as providers of benefits to retirees.

And they put American firms at a steep disadvantage in world markets, where our companies have to compete against businesses in countries 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. The first three concerns cannot be resolved unless health care costs are contained because they are caused in large part by rising health care costs.

## B. Decreasing Coverage

The second facet of the health care crisis is a huge and growing number of Americans without any health insurance. In the past five years, ten million people have been added to the ranks of the uninsured and their number is increasing by two million each year. On average, those without health insurance receive less health care, endure more pain and suffering, and are more likely to die prematurely than those with insurance. 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 are able to obtain care, they may have to liquidate their assets in order to pay for it.

America is now having an energetic debate about Social Security reform -- in part because there is the possibility that if nothing is done, Social Security recipients will be paid only 80 percent of projected benefits 40 or 50 years from now.

By contrast, in health care, at least 45 million Americans have no health benefits -- zero percent -- right now. And our Coalition projects that the number of uninsured Americans will exceed 51 million by the end of next year. An equal number are likely to find themselves underinsured.

Health care is a far more serious, immediate, costly, and destructive problem than the long-term fiscal imbalance in the Social Security program. In fact, the adequacy of Social Security and pension benefits cannot be assured unless we control health care costs.

As a practical matter, these surges in the number of uninsured Americans put tremendous strains on state governments.

They generate rapid increases in the number of enrollees in Medicaid, CHIP, and other public programs.

In addition, they ramp up demand for uncompensated care from safety net health care providers, including, especially, public hospitals.

### C. Poor Quality

Third, we literally have an epidemic of poor-quality 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.

As a result, hundreds of thousand of Americans die prematurely each year, millions more are harmed, and hundreds of billions of dollars are wasted. It has been estimated that medical errors and poor quality of care are now the nation’s third leading cause of death -- just behind cancer and heart disease.

## II. A Path Forward: Specifications for Reform

So these are the elements of the system-wide health care crisis that our nation faces and that you as governors are contending with every day. What must be done?

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. A copy of that report -- entitled *Building a Better Health Care System: Specifications for Reform* -- is in your packets. It 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, including you and your colleagues.

Our Coalition’s recommendations fall into five categories:

### A. Coverage of All Americans

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 our report.

We identify 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 (for example: SCHIP expansion);
- Creation of new targeted public programs (for example a new program modeled on the Federal Employees Health Benefits Program), and
- 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 required and subsidies must be provided for those who are less affluent.

## B. More Effective Cost Management

Second, we propose 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.

## C. Improved Quality and Safety

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.

The Coalition recommends that public and private efforts to improve quality and better manage costs 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.

## D. More Equitable Funding

Fourth, our members call for steps to make the financing of health care more equitable and to reduce cost-shifting. We identify mechanisms that could be used to fund the upfront program costs of reform.

#### E. Administrative Simplification

Lastly, we recommend steps to simplify the administration of health care. The reforms we propose would dramatically streamline the system, reduce the cost of administration, and enable health care markets to function more effectively.

#### F. The Impact of Reform

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 exceed \$125 billion, 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.

It would simplify the system. And most importantly, reform of the health care system 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.

### III. Governors and System-wide Health Care Reform

System-wide health care reform, as recommended by the members of the Coalition, would benefit the citizens of your states -- by assuring them adequate and affordable coverage and by improving the quality of care that they receive.

It would benefit the businesses in your states that pay for health coverage now -- by improving the efficiency and quality of the health care system and saving them large amounts of money, which in turn would help them to improve their operating margins, invest in growth, and be more competitive.

And reform would make the system more efficient, less cumbersome, and less frustrating for providers, patients, and purchasers alike.

Reform would also help you in your efforts to balance the needs of your citizens and the fiscal pressures that face all state governments. So long as we allow the current health care system to hurtle forward without reform, the number of uninsured in each of your states will continue to climb -- and, with it, enrollment and costs for Medicaid and CHIP programs.

And underlying health care costs will continue to escalate -- and, with them, the financial obligations of your governments in these programs and as employers. Other priorities will inevitably suffer.

We know that you have enormous challenges in health care that have to be addressed right now. But unless America comes to terms with its system-wide health care crisis, those challenges can only intensify.

We hope that you will become increasingly active in pressing for system-wide solutions to system-wide problems -- in public forums and in private meetings with key constituencies, in your communications with the congressional delegations of your states and in your conversations with the Administration.

As political leaders -- and as pragmatic problem-solvers -- you have the credibility and the clout to push for changes, to express impatience with politics as usual, and to reject the excuses for inaction.

Individually, and working together, you can help to forge a bipartisan commitment to building a better health care system -- one that would secure affordable, high-quality health care for all Americans. We hope you will agree that health care reform is a goal worth fighting for. We would welcome the opportunity to work

with you individually or collectively to achieve our mutual goal of a better, more equitable and more affordable health care system.

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