

Address to the Physicians Health Reform Summit

“The Health Care Crisis, Necessary Reforms, the Prospects for Consensus, and the Role of Physician Organizations”

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Thank you, and good afternoon, ladies and gentlemen. I have been asked to speak with you about the state of our nation’s health care system, about the reforms that will be necessary to address its problems, and about the prospects for consensus.

I know that this is a topic of great concern to all of you – as physicians and as leaders of important physician organizations. And I suspect that many of you are deeply worried about the trajectory of the health care system – and about the challenges that it faces, that all of us face, in an increasingly troubled system.

Your concern is justified, for we are in very serious trouble. And unless our political leaders act quickly, our problems will become even more severe.

Frankly, the problems of our health care system have become so large, so serious, and so pervasive that they are beyond the ability of any one organization or group, no matter how large or shrewd, to overcome.

All of us who work in the health care system will need a new and far more comprehensive strategy. And inaction – business as usual -- is just not a viable option. Nor are the reform proposals currently being considered by many physician groups, the administration or Congress.

I have been asked today to explain why our Coalition believes that fundamental system-wide changes are needed, and needed now, to outline the new strategy we believe will be necessary, and to suggest what you, in the physician community, can do to help bring about a consensus in support of reform.

The views I will be sharing with you are those of the National Coalition on Health Care. Our Coalition is the nation's largest and most broadly representative non-partisan alliance working for system-wide health care reform.

There are hundreds of billions of dollars of health care purchasing power, and trillions of dollars of corporate asset ownership, represented around our table. Our 95 members include major corporations, such as Verizon, AT&T, Lucent Technologies, and Georgia-Pacific; the AFL-CIO and the nation's largest individual unions; and the largest health and pension funds, such as the California Public Employees Retirement System and the New York State Common Retirement System.

Our Coalition also includes associations of health care providers, such as the American Academy of Family Physicians, the American Academy of Pediatrics, the Association of Academic Health Centers, the California Medical Association and the American Dental Education Association; organizations representing all the nation's major religious faiths, such as the U.S. Conference of Catholic Bishops and the National Council of Churches of Christ; insurers, such as the UnitedHealth Group, Blue Cross Blue Shield of Michigan, Blue Shield of California, and the Principal Financial Group; and major consumer and patient groups, including the AARP and the American Cancer Society.

Collectively, our member organizations include – as members, employees, or congregants – more than 150 million Americans.

Our Coalition has always been 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 George H.W. Bush, Jimmy Carter, and Gerald R. Ford. Former Health and Human Services Secretary Tommy Thompson is the newest distinguished member of our Board.

This past summer, after a year of study and deliberations, our Coalition issued a major report that reflects a consensus among our members. The fact that as diverse a group as ours was able to achieve such a consensus is evidence that, with good will and careful discussion, agreement is in fact attainable and that health professional groups, such as yours, could also reach a consensus.

In our report, entitled Building a Better Health Care System: Specifications for Reform, we analyze the problems in our health care system and how they affect Americans as patients, as employees, as providers and purchasers of care, and as members of our economy. Then we set out what we call specifications – objectives for reform, criteria by which alternative proposals can be assessed, and options for policymakers and the public to consider.

We hope that these specifications for reform will help to accelerate and frame a renewed debate about how to improve our nation's health care system. And we hope that -- because of the broad range of organizations that developed these ideas but are also ready to work for their adoption – our specifications will help to embolden political leaders to act, and act soon.

I am well aware that, as we meet today, the domestic policy issue that is getting the most attention in Washington is not health care – it's Social Security. So let me be very blunt: In our view, the top domestic priority for this nation should be – and must be -- health care.

As I will soon show, the crisis in health care is much larger, and much more dangerous, than the developing fiscal imbalance in Social Security. That doesn't mean that we won't eventually have to deal with Social Security too, but health care must be job one.

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, our society and the health care profession.

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

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

Let's deal first with costs.

The costs of health care are surging at extraordinary rates. The Centers for Medicare and Medicaid Services -- has projected that national health care spending will exceed \$2.7 trillion in 2010, nearly a trillion dollars more than we collectively spent last year.

Over the past five years, the average annual increase in inflation, across the whole economy, has been 2.5 percent. During that same period, the average annual increase in health insurance premiums has been 11.4 percent. That means that in a typical year, health care premiums have increased more than four and half times faster than inflation. Our Coalition projects that by next year, the average premium for family coverage will exceed \$14,500 - more than double the average premium in 2001.

These double-digit increases – year after year -- are making it much more difficult for businesses to continue providing health coverage for employees and retirees.

And they are 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.

It's no coincidence that the numbers of Americans without health coverage have been climbing rapidly.

And it's no wonder that surveys, by our Coalition and others, find that Americans are worried sick about rising health care costs – not as an abstraction, but as an issue that affects them and their families, personally and profoundly.

They are right to be worried.

But I want to emphasize that the escalation of health care costs is no longer only a health care issue; it has now become a gigantic national economic problem.

As health 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, and new product development.

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 undercut the viability of pension funds and offset increases in pension and social security benefits for retirees.

They generate contentious and destructive collective bargaining issues.

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 a recent speech, Richard Wagoner, the chairman and CEO of General Motors, said that health care costs add an average of \$1500 per vehicle to the price of GM cars and trucks. His conclusion: "The cost of health care in the U.S. is making American businesses extremely uncompetitive versus our global counterparts." That's a strong statement from the chairman of GM – and I can tell you that there are many other CEOs in our Coalition and elsewhere who feel the same way.

Escalating health care costs are not just affecting the private sector; they are also producing severe long-term budgetary problems in the public sector. As you know, in recent weeks we've been hearing a lot about the long-term budget liabilities associated with Social Security. The Comptroller General of the United States, David M. Walker, has testified, to us and others, that if the Social Security program is not adjusted, it can be expected to generate over a 75-year period total liabilities – in excess of revenue -- of \$3.7 trillion. That is certainly a large number.

But the projection for federal health care programs is much more alarming. According to Mr. Walker, under current law and given projected demographic and cost trends, Medicare can be expected to produce liabilities over that same period of more than \$27 trillion – more than six times the liabilities of Social Security. And that number doesn't include the impacts of rising costs in Medicaid.

Douglas Holtz-Eakin, Director of the Congressional Budget Office, puts all of this in perspective: "The demand on the budget from Social Security will take place simultaneously with – but be eclipsed by – the demand generated by Medicare and Medicaid." Dr. Holtz-Eakin and Mr.

Walker both agree that the present trends in benefit cost escalation are “unsustainable.”

In sum, we agree with the recent assessment by House Majority Leader Tom DeLay, who said, “There is no greater threat to America’s continued economic security than the current state of our health delivery system.” So we have now arrived at the point where the public’s three main domestic concerns – the economy, jobs, and health care – are really one and the same issue. Unless the health care cost crisis is addressed, we cannot assure robust economic growth or strong job creation.

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

According to the most recent official figures from the Census Bureau, the number of uninsured Americans rose to 45 million in 2003. That total reflected a jump of 3.8 million in just two years – the largest two-year increase in the ranks of the uninsured since 1987.

As health insurance premiums continue to rise, so too will the incidence of uninsurance. Our Coalition projects that the number of uninsured Americans will reach 51.2 to 53.7 million by next year – an addition of more than 10 million since 2001.

But even these numbers, as startling and troubling as they are, understate the real scope of the uninsurance problem. Nearly 82 million Americans – almost a third of the population below the age of 65 – spent a portion of either 2002 or 2003 without health coverage. And many of these folks were solidly in the broad middle class. Nearly half – about 38 million – lived in households with annual incomes of more than \$37,000.

As all of you at this summit recognize, 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.

In fact, according to a new study conducted by researchers at Harvard, about one million personal bankruptcy filings each year are

triggered by illness or medical bills. Summarizing the significance of that study, Professor Elizabeth Warren of Harvard Law School writes:

Every 30 seconds in the United States someone files for bankruptcy in the aftermath of a serious health problem. Time is running out. A broken health care system is bankrupting families across the country.

Again, a few words, just for perspective, about Social Security: According to the Congressional Budget Office, if that program isn't adjusted by Congress, in 2052 it will be able to pay only about 80 percent of promised benefits to its enrollees.

By contrast, we have right now more than 45 million Americans with no health coverage – zero percent of benefits.

And if we don't change our health care system soon, by the middle of this century the number of uninsured will climb by literally tens of millions.

Social Security is said to be in crisis. But the health care crisis is far larger and in need of immediate attention.

Third, our health care system suffers – and our patients suffer – from 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.

A major new RAND study – based on careful review of the medical records of thousands of patients in twelve metropolitan areas – found that these patients received only 54.9 percent of recommended care.

Think about that. In what other industry would such a gigantic mismatch between ideal and actual practices be tolerated? Why is it permitted to continue in health care, where lives are at stake?

As our report indicates, literally hundreds of thousands of Americans die prematurely each year because of sub-standard care. Millions more are unnecessarily harmed. It is estimated that unnecessary accidents, errors and poor quality are the nation's third leading cause of death, just behind cancer and heart disease.

Health care quality is also an enormous cost issue. According to Dr. Donald Berwick, President of the renowned Institute for Healthcare Improvement and a faculty member at Harvard Medical School, “[T]otal cost reductions of nearly 30 percent below current levels should be attainable while improving the overall quality of health care.” With annual health care spending now exceeding \$1.7 trillion, this estimate suggests that we may be wasting more than \$500 billion a year.

So these are the problems we face. It’s clear that the status quo in health care is unacceptable and unsustainable. The costs of continued inaction are enormous. So what must we do?

Our Coalition has developed a set of answers to that question, which we are calling specifications for reform. Before summarizing our recommendations, let me make three observations.

First, our members believe that reform must happen quickly. The need for fundamental changes is urgent. A real economic doomsday faces us.

Second, reform must be systemic. The American health care system is elaborately interconnected. Fifty years of incrementalism have failed. The piecemeal reforms currently being proposed by the administration and Congress are not commensurate with the scope of the problems we face and will not solve our problems.

And third, reform must be system-wide. Otherwise, gains in some sectors or for some groups are likely to be offset by losses elsewhere.

The systemic problems we face in health care require a systemic solution. Our Coalition’s specifications were designed to be systemic. They are meant to work together, as a balanced, mutually reinforcing package.

Our Coalition’s recommendations fall under five headings.

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. Individuals and employers should be able to purchase supplemental coverage beyond the core package.

The Coalition identifies a range of workable 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 approaches imply a government-run system, and any one 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.

To help purchasers make comparisons, and to make prices more transparent, insurers should be required to set separate premiums for the core benefit package and then for any supplemental coverage they offer.

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 is an 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 campaign to improve quality must be designed to improve accountability and to help payers, providers, and patients make better-informed choices.

Our Coalition recommends that public and private efforts to set rates and to improve quality should be coordinated by an independent national board, with members drawn equally from the public and private sectors.

Fourth, the Coalition's specifications seek to make the financing of health care more equitable.

Our members call for measures to reduce or eliminate over time the inequitable and destructive practices of cost-shifting across categories of insurance programs and payers.

Our report identifies mechanisms that could be used, individually or in combination, to fund the upfront program costs of reform, including the costs of assuring coverage for all Americans.

Lastly, the Coalition recommends steps to simplify the administration of the most complex, non-user friendly health care system on the face of the earth. 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, save billions of dollars, and enable health care markets to function more effectively.

Our Coalition believes that all of these goals need to be pursued – that as a society we cannot address one effectively unless we address all of them concurrently. For example, without universal coverage we can neither assure equity or quality. In the absence of quality, we cannot contain costs. In addition, without universal coverage we can neither make the system less complex, stop cost-shifting, control costs, achieve a level playing field of equitable financing, or even create a truly competitive market-based system.

In fact, as many of you will recall, those who originally advanced the competition hypothesis warned us that it could not work in the absence of mandatory universal coverage and government oversight. Universal coverage in our view is not a luxury, it is in fact a necessity, without which our problems are not solvable.

To those who continue to advance the myth that health care costs cannot be contained, or that you can't contain costs without hurting quality, we would say this. Every major developed nation has achieved universal coverage while spending one half to two-thirds as much per capita as we do, achieving health outcomes at least as good as ours and in a number of instances, better, and with a population far more satisfied with their system. At this time we are convinced that we do not need more money, we need a better system.

So these are the reforms we believe will be necessary. Our Coalition's specifications constitute the most comprehensive, ambitious,

and toughest reform measures that have been advanced in the national debate. As such, we recognize that there will be opposition and resistance, as there always is to any major health care reform proposal. Why do we believe that reform will ultimately occur? There are three reasons:

First, the problems within our health care system are going to grow even worse. As their adverse effects on the vitality of our economy and on the health and well-being of our citizens and health care professionals become more intense and evident, we anticipate increasing voter pressure on political leaders to adopt reforms that are commensurate with the nature and scope of the problems we face.

Second, there are signs that support for more ambitious reforms is growing. Indeed, the existence and growth of our Coalition is itself such a sign. Public opinion surveys document rising levels of apprehensiveness and worry about the trajectory of the health care system and increasing recognition that big reforms, not small adjustments, will be needed.

And third – and this is crucial – the problems of our health care system can in fact be solved. If there's a will, there's a way. Our reform proposal lays out a workable path to solution.

Workable and affordable. It is clear that the cost of action – of the reforms necessary – is far less than the cost of inaction. On purely economic grounds, the upfront investment needed to achieve system-wide reform would be well worth making, because reforms of the sort I have been describing would save our nation huge amounts of money over time.

Physicians – and physician organizations – clearly have special responsibilities, and special opportunities, to further and to shape the national dialogue about health care reform. Let me offer a few thoughts about where we are now as a profession and what physicians groups should do from here forward.

First, our profession should be enormously proud of the work we have done, and continue to do, to provide care and advance the frontiers of medicine. Physicians are enormously dedicated. We work hard to protect and extend life, and the quality of life, and we work hard to improve the care for patients who depend on us. Ours is, without question, a noble and demanding calling. I have very little patience for political advocates who disparage it or us.

But second, I believe that our profession can and must do more to advance system-wide health care reform. The system that we work in is flawed, and all of us know that. It just is not acceptable that in this, the richest country in the world, so many of our fellow Americans go without health coverage – and suffer, physically and financially and emotionally, as a result. The rate at which health care costs are escalating is unsustainable, and we all know that, too. And as medical professionals, we should support societal investments that can improve the quality and efficiency of care – values, and objectives, that we all care about deeply.

Our profession has an obligation – a professional obligation, to our patients and our nation – to lead. We have the credibility to call for changes, to express impatience with politics as usual, to reject the excuses for inaction.

Some of the associations and societies represented here today are active in the fight for system-wide health care reform – indeed, some are active as members of the National Coalition on Health Care. But we can and must do more – to educate our patients and our political leaders, and to let them know that physicians, who understand health care and the health care system better than any other group, are dissatisfied with the status quo.

We know that a better system -- for patients, physicians, payers, for everybody – is possible and, more than that, is essential. Let us make sure that the President and Congress hear that message, from us, loud and clear.

The achievement of reform will take determination and hard work. Our Coalition intends to work in a non-partisan fashion with Congress, the administration, and the public to build understanding and support for comprehensive reform. And we will continue to reach out to others of like mind – to work together for the common good. We hope those of you who are not members will join us to help achieve our mutual goal of a better, more equitable, more affordable health care system. I hope you will agree that it is a goal worth fighting for.