

“Health Care: Crisis, Reform, and the Path Forward”

**Keynote Presentation to the Board of Governors Spring General
Assembly Meeting**

American Academy of Otolaryngology – Head and Neck Surgery¹

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It is good to be here with you this morning to discuss the health care crisis in America and what can be done about it.

We meet here in the midst of a presidential election year, and, as I am sure that you have all noted, health care has been front and center in speeches of, and debates between, presidential

¹ The American Academy of Otolaryngology—Head and Neck Surgery (AAO-HNS) is the world's largest organization representing specialists who treat the ear, nose, throat, and related structures of the head and neck. The Academy, located in Alexandria, Virginia, represents more than 12,000 otolaryngologists. The medical disorders treated by these physicians and this specialty include chronic ear infection, sinusitis, snoring and sleep apnea, hearing loss, allergies and hay fever.

candidates. In fact, in the most recent debate between the two remaining Democratic candidates, Senators Clinton and Obama, the first 16 minutes were taken up by an extended exchange about the relative merits of their health care reform positions.

According to most polls, health care is now the number one domestic policy issue in the campaign. We are in the early stages of what should be an important national dialogue about health care – a dialogue that we hope will lead to action in 2009.

My remarks today will be in three parts.

First, I will describe and quantify the major elements of the health care crisis.

Second, I will summarize the recommendations -- what we have called specifications for reform -- developed by the member organizations of the National Coalition on Health Care.

Third, I will offer some thoughts about the path forward from here – the path to reform.

My observations will reflect the views of the National Coalition on Health Care.

The Coalition is, by far, the nation's largest and most broadly representative non-partisan alliance of organizations working for system-wide health care reform.

The membership of the Coalition consists of more than seventy of the nation's largest companies, unions, patient advocacy and consumer groups, medical societies and associations of health care providers, health and pension funds, insurers, religious denominations, and higher education councils.

Many of these organizations are major forces in the American economy, in our society, and in the health care system – for example, the AARP, the AFL-CIO, Ahold U.S.A., the American Cancer Society, the American Heart Association, the American Council on Education, the state employee and teacher retirement systems of California and New York, the National Council of Churches, the Principal Financial Group, the Salvation Army, and UnitedHealth Group.

We have an important and growing contingent of medical societies that actively participate in our effort, including the American Academy of Family Physicians, the American Academy of Pediatrics, the American College of Cardiology, the American College of Obstetricians and Gynecologists, and the American College of Surgeons.

There are hundreds of billions of dollars of health care purchasing power, and trillions of dollars of corporate asset ownership, aggregated around our Coalition's table.

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

The National Coalition on Health Care 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 George H.W. Bush and Jimmy Carter.

Why do our member organizations share such a sense of urgency about the need to reform health care? Because they believe that the problems in health care are severe – and because they know that in the absence of system-wide change, these problems will only deepen, hurting our nation and our people.

I. The Crisis in Health Care

There are three massive problems in American health care:

- **First, rapidly escalating costs;**
- **Second, a huge and growing number of Americans without any health coverage, and**
- **Third, an epidemic of sub-standard and dangerous care.**

Let us begin with costs.

The costs of health care are surging at extraordinary rates.

According to a new report from the Office of the Actuary at the Centers for Medicare and Medicaid Services, national health spending can be expected to increase from about \$2.2 trillion in 2007 to \$4.3 trillion in 2017.

And according to the Henry J. Kaiser Family Foundation, health insurance premiums have nearly doubled since the year 2000.

The average annual premium for family coverage in the United States has jumped from about \$6,300 to \$12,106.

Just to put that number in perspective, it is only \$138 less than an entire year's salary for a full-time worker who earns the federal minimum wage.

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

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.

It is no coincidence that the numbers of Americans without health coverage have been climbing -- a point that I will return to shortly.

What I want to emphasize is 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 these costs rise, they slow the rate of economic growth -- a point that President Bush himself has made. By cutting into corporate operating margins, they reduce the capacity of firms to grow by investing in research, plant and equipment.

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 Government Accountability Office, and the Federal Reserve Board have called unsustainable.

For state governments in particular, they draw resources away from other priorities, such as education and the building, or rebuilding, of infrastructure.

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.

Surging health care costs also slow the rate of job growth by making it more expensive for employers to add new workers.

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

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

Spiraling health care costs also reduce 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 for older Americans.

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 is more than double the proportion – of 16.0 percent – consumed by out-of-pocket health care costs in 2000.

In sum, we have reached the point where the public's most pressing domestic concerns – economic growth, jobs, and retirement security, and health care -- are fundamentally intertwined. The first three concerns cannot be addressed effectively unless health care costs are contained.

And let us add this: The public already recognizes this linkage.

In a national survey released just this week by the Henry J. Kaiser Family Foundation, 64 percent of registered voters said that significantly lowering the cost of health care in the United States would improve the economic situation.

Presidential candidates, take note.

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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 Census Bureau, the number of uninsured Americans rose to 47 million in 2006 – the most recent year for which the Bureau has data.

That is an increase in just one year of 2.2 million.

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.

In addition, the costs of providing uncompensated care to uninsured patients, in emergency rooms and other settings, are built into the charges for care of those with insurance.

According to a study by Professor Kenneth Thorpe of Emory University, this adds more than \$1,000 per year to the average cost of employer-sponsored family coverage.

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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. Millions more are 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 \$2 trillion, this estimate suggests that we may be wasting more than \$600 billion a year.

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. Specifications for Reform

Our Coalition has developed a set of answers to that question. After more than a year of study and deliberations, we issued a major report that reflects a consensus among our members. It is the most ambitious and comprehensive health care reform proposal in the national debate today.

Our recommendations fall into five categories.

First, our members call for coverage of all Americans within two to three years after the passage of enabling legislation. We recommend that Congress specify a core benefit package, which is outlined in the report. Employers would be able to provide, and

individuals would be able to purchase, supplemental coverage beyond the core package.

The Coalition identifies a range of options for insuring all Americans, including:

- Employer mandates (supplemented with individual mandates as necessary);**
- Expansion of existing public programs that cover subsets of the uninsured;**
- Creation of new programs targeted at subsets of the uninsured, or**
- Establishment of a universal publicly financed program.**

None of these options entails or requires a government-run system. To assure that everyone gets coverage, participation must be required, and subsidies must be provided for those who are less affluent.

Second, the Coalition proposes measures to assure much more effective cost management. Our members believe that over time, the health care system must be made far more efficient by providing more and better information for patients, providers, and purchasers; improving the quality and outcomes of care; and building a national information technology infrastructure for health care.

But we also believe that the urgent need for cost relief requires short-term constraints, even as these other measures are being aggressively 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.

As a physician myself, I can understand that you might be apprehensive about this element of the Coalition's recommendations. Let us be clear: We are not advocating any cuts in reimbursement.

To the contrary: Our view is that if the rate of increase in costs can be slowed to a pace that can be sustained over time, we can avoid the sorts of sudden and draconian cuts, for some categories of care and providers, that we are already seeing in the current, unconstrained system.

In addition – and this was a crucial consideration for many of our members – we are proposing that these cost management measures be adopted not as stand-alone steps, but only in the context of a thoroughgoing reform of the health care system – reform that would also

- assure universal coverage and thereby spare providers the burden of uncompensated care;**

- **simplify the administration of the system and thereby lower overhead costs for physicians and hospitals; and**
- **reduce waste.**

Simply put, we believe that not only patients and payers, but also providers, would be better off in a better system.

Third, our members propose a major national effort, coordinated by an independent board with members drawn from the public and private sectors, to improve the quality and safety of health care. This effort would include the accelerated development of an information technology infrastructure for health care and national practice guidelines.

Our members recommend that the guidelines be based on reviews, by panels of leading health care professionals, of research that has been conducted on the impacts of alternative technologies and procedures.

These panels would collaborate with and leverage the work of professional societies, such as this Academy.

Practice guidelines could be adduced by physicians and provider organizations in malpractice cases as evidence of what is considered best medical practice. Conformance to these guidelines should help to protect medical professionals against frivolous or marginal lawsuits.

Fourth, our members call for steps to make the financing of health care more equitable, including the reduction over time of inequitable cost-shifting across categories of insurance programs and payers. Our report identifies mechanisms that could be used to fund the upfront program costs of reform.

Lastly, the Coalition recommends steps to simplify the administration of health care – which would save money and help to reduce the burdens, and the frustrations, of providers and patients.

Recently, the Coalition commissioned a new and updated assessment -- by a highly respected health care economist, Professor Kenneth Thorpe of Emory University, whom I mentioned earlier -- of the costs and savings that would be associated with health care reform along the lines commended by our members.

Using conservative assumptions similar to those that would be applied by the Congressional Budget Office, 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.

By year 10, annual system-wide savings would range between \$172 billion and \$233 billion -- depending on the scenario pursued -
- and the savings would grow year to year after that.

In the first decade after implementation, total system-wide savings could exceed \$1.3 trillion.

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. The Path to Reform

I want to offer six thoughts to you about the path to reform, .

First, the significance of the recommendations that I have just described goes beyond their analytic merits. I believe that the Coalition's recommendations are politically important.

Why? Because they reflect extended negotiations and, ultimately, consensus across so many different types of major organizations and interests.

Reform, when it comes, will have to be built on precisely the kind of consensus across categories that the Coalition has managed to construct.

And the members of the Coalition are committed to working hard to advance the prospects for attaining these reforms – by educating their members, employees, congregants, and volunteers and by reaching policy makers and opinion leaders.

Second, system-wide health care reform should be a national priority, pursued by those in both political parties.

As a practical matter, we can make the changes we need only with a bipartisan effort.

On this point, there are grounds to be cautiously optimistic.

All three of the major candidates contending for the presidency now have committed themselves to reducing partisanship, and working across party lines, on major issues.

And within the Congress, there are encouraging signs of bipartisanship on health care issues specifically.

Our Coalition is committed to encouraging, facilitating, and reinforcing bipartisan collaboration.

Third, we need to hold political candidates and policymakers accountable – not just for recognizing and articulating about the need for health care reform, but for their actions and accomplishments.

And we need to hold them accountable as well for the content of what they propose and pursue.

Fourth, to be blunt, we need to push political candidates and policymakers to be more realistic about what it will take to slow the rate of increase in health care costs.

All three of the major presidential candidates have proposed to expand the use of information technology in the health care sector, to emphasize preventive care, and to fund research about the comparative effectiveness of alternative technologies and courses of treatment. These are all good ideas – although, of course, the details of their design will matter.

But none of the remaining candidates has advanced the sorts of tough measures that our Coalition believes will be needed to moderate cost increases while we wait for investments in information technology, prevention, and comparative effectiveness research to pay off.

Fifth, a related point: We need to proceed with a real sense of urgency about health care reform.

The longer we wait to secure health insurance for all Americans, the more Americans will become uninsured and the longer they will suffer.

The longer we wait to constrain the wild rates of increase in health care costs, the more our economic growth, job creation, and competitiveness will be undermined.

And the longer we wait to address the epidemic of sub-standard care, the more Americans will die prematurely or be unnecessarily harmed.

Sixth, the support for action on health care is already broader and deeper than many realize. Public opinion polls show that nearly 80 percent of the public favors fundamental health care reform.

That level of support for reform is a good basis for believing if we work together – with a shared sense of purpose, determination, and a commitment to building consensus -- we can secure the reforms needed to assure all Americans affordable and high-quality health care.

In this context, the National Coalition on Health Care is in a unique position to advance the prospects for reform

- **because of the reach and breadth of our membership,**
- **because of our development and support of the most comprehensive and ambitious set of recommendations in the national debate;**
- **and because of our rigorous non-partisanship.**

And we are working hard to promote progress

- **through meetings with presidential candidates, members of Congress, governors, and their staffs;**
- **through an extensive communications campaign;**
- **through efforts to help organizations in the Coalition educate and inform their members, employees, congregants, and volunteers;**
- **through policy studies and testimony;**
- **and through presentations to major groups of decision-makers throughout the country and across the economy.**

Our members hope that the Academy will decide to join this effort.

In closing, I would say this: We know that the achievement of system-wide health care reform will not be easy. The issues are complicated, and the stakes are enormous.

But change is essential. Our health care system is in crisis, and that crisis is hurting our people, hindering our economy, and compromising our future.

This is a fight that is well worth waging.

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

And it is a fight that we will win – for the well-being of all Americans.

Thank you for the opportunity to speak here today. I look forward to your questions and comments – and to working with you and your colleagues to secure a better health care system.

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