

Testimony by the Honorable Michael O. Leavitt before the House Energy and Commerce Committee

June 24, 2009

Mr. Leavitt was the Secretary of Health and Human Services from 2005-09, was the Administrator of the Environmental Protection Agency from 2003-05, and was the Governor of Utah from 1993-2003.

Mr. Chairman, Mr. Barton, and Members of the Committee:

I have been involved in the national health debate since the early 1990s. For eleven years as governor, I worked continually — and with significant success — to expand access to insurance, increase quality of care, and reduce costs in my state. Additionally, for the better part of a decade, I was part of a bipartisan group through the National Governors Association that worked on health care issues, particularly Medicaid.

Between 2003 and 2009, I served in two health-related Cabinet positions: first as head of the Environmental Protection Agency and then as Secretary of Health and Human Services. In those roles, I appeared before this Committee many times to discuss this topic, and I appreciate having been invited here to offer my observations today.

Health is a universal language. Illness and frailty are universally unwelcome, and we all worry about our mortality. No one has a monopoly on compassion, or on concern for protecting the interest of workers and their families.

We all know how politics works. We know that the majority party can always impose its will. A bill can be passed. But without broad bipartisan support, it won't last.

I welcome the chance to address both the bill's overarching themes and its finer points during discussion with the Committee. However, in the interest of brevity, I will proceed by listing ten principles in the bill that I believe have the potential to unify; ten outcomes of the bill that I believe to be serious problems; and ten suggestions on ways to achieve bipartisan support.

First, the potential unifying principles:

1. There is a widely held aspiration that every American should have health insurance.
2. Insurance exchanges can provide access to people for whom employer-sponsored insurance is not an option.
3. Risk-pooling is at the heart of the access discussion, and without an honest discussion of this subject, there can be no health insurance reform.
4. Affordability credits, when coupled with choice, are an effective tool to provide subsidies.
5. It is a responsibility of citizenship for each of us to do all that we can to procure health insurance, and state-based mandates are one way to address this concern.
6. Community health centers are a proven means of delivering primary care to underserved populations.

7. Reliable health data in the hands of patients, providers, and payers, about the costs and quality of health care, will increase transparency and facilitate the pursuit of value — the pursuit of the highest-quality care at the lowest-possible prices.
8. Innovation in the payment system for Medicare is essential.
9. Fraud and abuse can be reduced.
10. It is better to prevent illness than to treat it.

Negative outcomes of the bill:

1. The public option will result in millions of employers abandoning the private insurance system and millions of Americans losing the option of private insurance.
 - As employers and their private plans flee the market, providers will have nowhere to shift costs, and many community hospitals will fail.
 - Medicare-like reimbursement levels will cause many doctors to leave the system, and getting an appointment with a doctor will get harder except for those willing to pay out of pocket for a doctor outside of the system.
 - Cost-containment goals will inevitably lead to further reductions in reimbursement rates and further losses of doctors, and the result will be a two-tiered structure: one tier for the very rich (operating outside of the system), the other for everyone else (operating within).
 - Costs will continue to increase because doctors who stay in the system will make up for the financial difference as they always have: by doing more procedures.
2. The bill will increase the federal deficit by an unknown amount.
 - The Senate bills are being scored at \$1.3 to \$1.6 trillion over the next decade, and this bill's score will certainly be higher.
3. Increasing the deficit is financially and politically irresponsible.
 - Our deficits will already be higher, this year and next, than our deficits at the height of the Great Depression — even as a percentage of the gross domestic product.
4. The bill will raise our health-care costs as well as our debt.
 - Some have argued that additional debt-spending is necessary to curb future health costs, but government-run health costs have risen far more than the costs of privately purchased care.
 - As a new study by Jeffrey H. Anderson of the Pacific Research Institute shows, since 1970, Medicare's costs have risen 34 percent more, per patient, than the costs of all health care in America apart from Medicare and Medicaid — rising \$2,511 more per patient.
5. Medicare is already drifting toward disaster, and launching a new vessel into the same dangerous waters will not slow the current.
6. Narrowly banded community ratings will create debilitating cost-increases for young and healthy people — and this, in addition to greatly increased debt, will make this bill a massive redistribution program from younger to older Americans, and from future to current Americans.
7. Adding large populations to Medicaid will prove to be an impossible burden on state budgets.
8. The play-or-pay provision for employers is nothing more than a new tax, and it will result in lower wages and the loss of American jobs.

9. Prohibiting cost-sharing provisions for preventative care is a recipe for fraud by physicians and inefficient use by patients.
10. The bill will lead to politicized health care, encouraging unjust benefits for the few — such as those with strong unions and/or strong lobbyists — at the expense of the many.

Recommended improvements to achieve bipartisan support:

- Abandon the idea of a public option plan.
- Have state-organized exchanges rather than federally controlled exchanges.
- Give states the task of solving the pooling problem, through mandates if they so choose, or without them if they choose a different course.
- Give states a time-ceiling (3-4 years) to solve the pooling problems; if they refuse, systematically reduce the federal Medicaid matching rate.
- Drop the proposal to tax employers; it will reduce wages and kill jobs.
- By requiring plans to be the actuarial equivalent of Medicare, simplify the standards of coverage for plans eligible for affordability credits; and give states flexibility in pricing bands.
- Provide a means for each insurance provider to be able to offer a plan that is free of state-imposed mandatory benefits.
- Subsidize those who have a hard time becoming insured because of their income or health, rather than subsidizing families with moderate incomes who have private insurance already.
- Allow Medicare to require providers to accept bundled payments, and reward providers who provide high-quality services at affordable rates.
- Expand competitive bidding for durable medical equipment, and make the Medicare Advantage bidding process more like the bidding process for the Medicare Part D prescription drug program.

Mr. Chairman, if we proceed in a bipartisan manner, we can achieve real reform. We can accomplish our shared goal of seeing every American have an affordable health-insurance policy. We can increase quality and reduce costs — by focusing on value over volume, and by providing incentives for others to do the same. We can enlist the states as allies, collaborating with them in a federalist spirit, and sharing with them the risks and rewards. We can promote state-based reforms and learn from those experiences, rather than engaging in a high-stakes game of trial and error in Washington — trying to cross from here to there without an estimate of costs, a clear vision of the future, or a net. By enlisting the states rather than going it alone, focusing on value over volume, and taking aggressive but responsible action, we can get every American insured without breaking the bank — or the back of the current system.

But we cannot afford to jeopardize the private insurance of millions. We cannot in good conscience shift massive costs to younger Americans — as this bill would do — nor shackle future generations of Americans with an even greater inheritance of debt. We cannot just keep spending. More government-run health care will not reduce costs; it will raise them. Experience has shown us this. We need health care that people can afford — and reform that our nation can afford.

Thank you.