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HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING WAYS TO IMPROVE TRANSPARENCY & LOWER HEALTHCARE COSTS IN AMERICA

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, delivered the following opening statement at a committee hearing examining ways to improve transparency and lower healthcare costs in America:

Thank you, Mr. Chairman, for convening this hearing this morning. To be honest, I'm not sure where to begin.

As we all know, the original impetus for this hearing was the recent article in Time magazine about the costs associated with health care.

While that article didn't present much in the way of new information, it reminded all of us how complicated our healthcare system is and how our system of fee-for-service reimbursement has resulted in tremendous cost growth over the last two decades.

Congress has had discussions about the cost of healthcare for years. Unfortunately, I think the President's health care law missed a real opportunity to address these issues.

We know that there are many factors that drive up the cost of care, some appropriate, and some not.

Those of us who got through the more than 35 pages of the Time article know that each sector of the healthcare industry must play a part if we're going to be successful in creating a more rational and affordable system.

Some have suggested comparing purchasing decisions in our healthcare system to those of other industries such as airlines, cars, or hotels. With those types of purchases, websites and other avenues exist that allow consumers to readily find price information and consumer reviews.

While I agree that this is a very rational way to shop, we have to acknowledge that healthcare is very different. Many factors go into pricing health care – factors such as specialty of provider, severity of patient condition, and level of resource use. And, different payers reimburse at different levels.

As many have noted, we have one of the best health care systems in the world. But there is a significant debate as to whether our outcomes are good enough to justify the costs.

This year, Americans will spend \$2.8 trillion on healthcare and, of that, Medicare will spend \$800 billion.

In Congress, we tend to focus mostly on spending in Medicare and other federal programs, but the enormous amount spent in the overall healthcare system needs to be examined.

For employers who provide coverage to their employees, the rising costs of goods and services that make up our healthcare system are very real. Increased costs mean less money that can be spent on wages or other benefits and, perhaps more importantly, less money to spend on hiring additional employees.

And, for individuals, as costs continue to increase and employers have to scale back, their out-of-pocket health care costs will only go up.

The issue that most directly affects people – whether they have health insurance or not – is their out-of-pocket costs. Most people aren't interested in irrelevant hospital charge-masters, or the details of health plan negotiations. They simply want to know what they'll be paying themselves at the end of the day.

For savvy consumers who will spend time up front researching cost and quality data, they want easy to understand information to help them make decisions. For others, it's as simple as receiving a bill that is, as they say, patient-friendly.

As I stated, this is a very complicated issue and many factors need to be considered.

Most of us would agree that competition in healthcare is generally a good thing. Hospitals, physicians, suppliers, and payers should all compete on quality and price, and consumers should benefit from this.

However, in many parts of the country, consolidation – whether it is provider or payer consolidation – has often led to higher prices, without better quality outcomes.

Mr. Chairman, I think this is an area that is worth further exploration in the future.

Many of the policies that Congress has enacted – like, for example, accountable care organizations, bundled payments, or health information technology requirements – lead to

greater consolidation. It's important that we know the consequences of some of these policies.

Lastly, let me echo the point made in Mr. Brill's article about the cost of defensive medicine.

As the article stated, much of the high cost of health care is due to over-utilization of services as a means of protecting the physician against future litigation.

In light of this fact, I hope that Congress will work to pass legislation to address medical liability reform. This was another missed opportunity in Obamacare, but it's not too late to fix that.

Chairman Baucus, thank you, once again, for convening this hearing today and I look forward to hearing from our witnesses and learning about how we can harness the wealth of information available to consumers to help them make good decisions about their health care.

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