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**Remarks of Senator Max Baucus (D-Mont.)  
Before the Center for American Progress Action Fund**

Thank you for inviting me here today to talk about a cause that has become a calling — health care reform.

The title of this event — “Now is the Time for Action” — could not be better. I firmly believe that it’s true. We must act this year to reform our health care system. If we don’t act, the costs are just too high.

To solve the problem, everyone will have to give and take. Nothing can be off the table. I’m asking everyone to suspend judgment, until we can figure out how we can work this out together.

Everything in health care is related. We cannot address it piecemeal. We need comprehensive health care reform for America.

And we have to craft an American solution. We are not Europe. We are not Canada. We need a uniquely American solution. It has to be a partnership of public and private players.

I’ve served in the Senate for 30 years. Frankly, this is the hardest legislative challenge of my lifetime.

But I relish it. This is fun. This is the kind of work for which I signed on. This is the kind of job that made me ask the people of Montana to hire me in the first place. I’m glad to be doing it.

That’s because we all have a moral obligation to leave this world a better place than we found it. We have a moral obligation to leave the system better for our kids and our grandkids.

So, Congress must do its job. We must move forward.

Last week, Senator Grassley and I laid out a schedule to markup health care reform in June. It’s an ambitious schedule. But it’s necessarily so.

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And last week, CBO released its estimate of the President's budget. Included in that estimate was a projection of future budget deficits that we face as a nation.

The picture is bleak. Deficits are higher and continue longer than we had expected.

The economic conditions facing our country are severe. Unemployment is rising. Families are struggling to make ends meet. Many are losing their homes.

But this economic uncertainty does not dampen the urgency of health care reform. Indeed, the economic downturn contributes to the urgency for health care reform.

More than three out of five people believe that it's now more important than ever to take on health reform. And to those who think that we cannot afford to address health reform, I say: We cannot afford to wait.

Why? Because health care reform is not just a moral imperative. It is also an economic imperative.

The consequences of not enacting comprehensive health care would be dire. The costs would be unsustainable for individuals, families, employers, and state and Federal governments alike. The costs of not acting are high.

Between 2000 and 2007, average premiums rose nearly 80 percent. At the same time, average wages rose just 15 percent. How can a family keep up?

Last year, the average household spent more than a quarter of its income on health insurance premiums. If we don't act to reduce the rate of health spending, then in seven years — before the end of President Obama's second term — most American households will spend nearly half of their income on health insurance.

If we don't act, increasing costs will result in more and more individuals and families without health insurance.

According to the Kaiser Family Foundation, 160 million Americans get their health benefits through an employer. That means that when people lose their job, they often lose their coverage.

This month, the unemployment rate rose to eight point one percent. Work done here at the Center for American Progress shows that — every day — 14,000 more people lose their health insurance coverage.

Think how devastating that is for a mom with a sick child. Think how devastating that is for someone fighting against cancer. Think how devastating that is for someone who has the misfortune to be in an accident.

As more people lose their jobs, more people will be forced to buy health insurance on their own. And they will have to buy that insurance in the dysfunctional and increasingly unaffordable individual insurance market.

Anthem Blue Cross in California just notified most of its individual policyholders that they face double-digit premium increases — many more than 30 percent. Blue Cross of Michigan is seeking approval for an increase in premiums of nearly 60 percent.

That means that if we don't act, then workers who lose their jobs will not be able to afford coverage. It means that many of those purchasing coverage in the individual market will be forced to drop their coverage.

We need to make this market workable and affordable. It will require action at the Federal level. A few states have taken action to address this market. But in the vast majority of states, the individual market is like the Wild West.

We must see that insurers are competing on price and quality, and not on their ability to cherry-pick the healthiest individuals. We need to eliminate the ability of insurers to discriminate against sick people, to discriminate based on gender, or to discriminate based on where you work.

Even the insurance industry has accepted that "business as usual" is no longer acceptable. They recently sent a letter supporting the changes that I'm proposing, if done with an individual obligation to purchase insurance. And once coverage is accessible, affordable, and meaningful, people should have a responsibility to get insurance.

An individual obligation to get health coverage is essential for several reasons. It is the only way to stop the cost-shifting related to uncompensated care. Today, the costs of care for 46 million Americans without health insurance are largely borne by those with insurance.

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Getting all Americans covered will also make insurance markets function properly. Insurance works because policyholders pay into their plans when they are healthy. And they get their medical bills paid when they are sick.

If a significant portion of Americans don't buy insurance until they get sick, then premiums will increase for all who do buy insurance. And the problem of unaffordable costs will only get worse.

As well, covering all Americans is essential to effective prevention and wellness efforts. And it's important to managing chronic illnesses.

Efforts to guard against and better manage illness are an effective tool to contain costs. But without every American in the system, those efforts will fall far short of their potential.

And what about the costs to business?

We also need to make health care more affordable for businesses. Americans are losing jobs because health care costs put American businesses at a competitive disadvantage.

The manufacturing industry is facing stiff international competition. American manufacturers pay \$2.38 an hour for health benefits. What do you suppose America's major trading partners pay? 96 cents. Talk about an uneven playing field.

American manufacturers spend nearly three times as much on health benefits as our major trading partners. If we don't act, then that gap will continue to widen.

And what about the costs to taxpayers?

And if we don't act, then the burden on taxpayers will continue to grow. In 2009, Medicare spending is projected to be nearly \$500 billion. By 2018, it will be almost double that.

If we don't act, then in the next 10 years, spending for both Medicaid and Medicare will more than double. Meanwhile, our economy will grow by just 64 percent.

What should action on health reform look like?

It has to be comprehensive. The time for incremental change has passed. It is increasingly harder to fix the system one step at a time.

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The CHIP reauthorization bill that we enacted last month was a significant victory. After kids, however, it starts getting harder to expand health coverage for segments of the uninsured based on public sympathy.

Covering all Americans will come at a cost. But the cost of that coverage will be less if we also address rising health care costs. That means that comprehensive health reform has to be more than just universal coverage. It means that we must address rising costs. And it means that we must improve quality.

We cannot simply add 46 million uninsured people to a broken system. That would increase costs without addressing the underlying, fundamental problems in our system. And the projected costs of that path might well confirm the fears of those who believe that we cannot afford to tackle health reform.

Already, we spend twice as much on health care as any other industrialized nation. And yet our outcomes are poorer.

In eight years, we will have more than 58 million uninsured Americans. And we will spend four point three trillion dollars a year on health care.

The \$787 billion economic recovery act that we just enacted was a big bill. But compare the cost of that to four point three trillion dollars in health care spending each and every year.

Part of the reason that health care costs so much is that we do not have a health care system. There are a few exceptions and pockets of success. But generally, we don't have a health care system. We have a health care free-for-all.

Bending the growth curve of spending will be a challenge. We must change the way that care is delivered.

The way that we pay providers contributes to higher health costs. Existing payment systems reward the use of specialty care and high tech equipment.

We pay more to a hospital whose patients experience a readmission after being discharged. And we pay less to a hospital that does the job right the first time and avoids a second hospital visit.

Spending and utilization varies widely from one part of the country to another. But those who are spending more are not getting more for their money.

In many parts of the country, providers have answered the siren call of the payment systems. They order more tests. They schedule more visits. They do more procedures. They perform more imaging services. And they prescribe more medications.

Due to a lack of electronic records, services are duplicated. And due to a lack of comparative effectiveness research, providers lack information about what treatments work best.

We need to change that. We need to pay on the basis of higher quality and better outcomes. Where possible, we should create pathways to integrated, efficient systems of care delivery.

We made some progress in the economic recovery act. We made a significant investment in electronic health systems. We made changes in payment systems to reward providers that use these systems. And we made a down payment of more than one billion dollars toward comparative effectiveness research.

But we still have much of the heavy lifting ahead of us. Over the coming weeks, we will continue working on ways to promote value and improve quality through our payment systems. Rewarding quality will improve quality. And higher quality will also lower costs.

We are on a path to reform. And I am doing everything that I can to keep pushing, along with my good friend and partner Ted Kennedy. Together, we have sketched out a path to get a bill through the Senate.

That path necessarily involves bipartisan support. Why? Because in the end, in the Senate, a bill needs 60 votes. Attempts to circumvent this requirement using reconciliation would also require trade-offs.

The barriers to getting a bill done are real. Our economic circumstances and the deficit present a considerable challenge. The pressure to offset new spending is greater than ever.

The calendar also presents a challenge. We must act this year. And that means that we have to act fast. To meet that deadline, the House and Senate need to pass legislation before the August recess.

If we do not act this year, then we won't have another opportunity for another decade. Next year, we'll be in the midst of Congressional elections. The following year, we'll be in a Presidential cycle. We have to act now.

Fortunately, President Obama is committed to reforming our health care system this year. The opportunity is before us. And we must act.

Now is the time. Now is the time for action. Let us work together to make it happen.

Thank you again for the invitation to discuss the urgency of health reform. Before I yield for questions, let me just say that I am particularly pleased to share a stage with Judy Feder. Judy is one of the most capable and well-versed health policy experts in Washington. She has a long history of working on ways to improve our health system. And so, let's begin the discussion.

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