Committee On Finance
Max Baucus, Chairman
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For Immediate Release Contact: Carol Guthrie
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Remarks of Senator Max Baucus
Before the National Health Policy Conference
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In his Remembrance of Things Past, Marcel Proust wrote: "A change in the weather is sufficient to recreate the world and ourselves."

You can feel it in the air. Not just in Washington, but all across the country. The season is changing. It's inexorable.

I speak not just of the newfound winter in the air. I speak of a new season of our nation's health-care debate.

And this is, as Alexander Pope wrote, "no season now for calm familiar talk."

The season for a real debate on health care reform is coming. And it is long overdue. My job as Chairman of the Finance Committee is to prepare Congress for this season of reform.

America has many of the world's best doctors and hospitals. They perform the most advanced life-saving procedures. They keep alive the most fragile infants. They treat the most serious illnesses. They unfailingly expand the bounds of medical innovation. But this best-in-the-world medical system is still out of reach for 47 million Americans.

Folks across the country tell me that they have difficulty getting or paying for health care. Business leaders tell me that health-care costs are impeding their ability to compete.

We spend more on health care. But we do not get better health outcomes. We spend a quarter of American health-care dollars — about $400 billion — on non-medical costs. Most of that is just paperwork.

It is time for a season of reform.

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I have studied the innovative proposals being put forth. I am optimistic. I see consensus forming on the horizon. The climate is about to change.

What we need now is an extensive and thoughtful dialogue in Congress. This year, the Finance Committee will start the dialogue. Health care reform is going to take time. But I am in this for the long haul. We need better health care, so that all Americans can have the prospect of long, happy, and productive lives.

So what ideas will grow in this new season for health reform?

Victor Hugo advised: "Change your opinions, keep to your principles; change your leaves, keep intact your roots."

I see five principles of reform. From these roots, we can grow a better health care system.

The first principle is universal coverage. We are the richest country in the world. But America remains the only industrialized nation that does not guarantee universal coverage. Even the Slovak Republic has universal health coverage. And the number of Americans without health insurance coverage continues to grow.

Last year, another one and a half million Americans joined the number of the uninsured. That brings the total to 47 million people. That's nearly one in six Americans. Nearly one in five Montanans do without health insurance. The share of Americans without insurance has increased in each of the last 13 years.

Every American should have a right to affordable health coverage. Individuals should have the responsibility to get that coverage. And the society should help those who do not have the means to buy insurance on their own.

We should sign up every newborn baby for health coverage, at the hospital. Insurance from birth will improve the health, quality, and productivity of that child's life.

It's right for the child. It's right for our health care system. And it's right for our nation's economy. Guaranteeing all Americans a healthy start is just one example of how we can do better.

The second principle is sharing the burden. Neither the employer-based system nor the individual market can fulfill the demand for affordable, portable, quality coverage. The way to ensure affordable coverage is to create pooling arrangements. Purchasing pools would bring together large numbers of small purchasers — both individuals and small businesses — and allow them to take advantage of group rates for coverage.

Purchasing pools help the market work. Pools benefit those in need of health insurance. And pools open a new market for insurers.

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Pools offer choice. And pools simplify the comparison of health plans. They provide a single forum for leveraging multiple funding sources — public and private. And they offer administrative economies of scale.

Pooling has its challenges. A pool must offer affordable premiums in order to bring coverage to the uninsured. But a pool must also be cohesive and stable to attract insurers.

Making pools work will require good rating rules, to ensure that people are paying fair amounts. And making pools work will require subsidies, so that those in greatest need can afford to participate.

At the same time, we must be careful that a pool does not become a magnet for only those who need coverage. Pools need stable and efficient administration. We need careful regulation and stewardship, to keep these pools functioning as they should.

To meet all these goals, pooling arrangements must be a partnership between public and private sectors. And they must be a partnership between Federal and state governments. We will all need to work together, to make this vision a reality.

The third principle is controlling costs. Any serious proposal must reduce the rate of growth of health care costs. America cannot sustain the rate of growth in health care spending.

Over the last 10 years, health spending grew faster than overall inflation. It grew faster than wages. And it grew faster than the economy.

Many talk about the need to reign in Medicare and Medicaid. I agree. We need to make these programs fiscally sustainable. But cost growth is an issue faced by the entire health care system, not just the part that the Federal government funds.

How do we get a handle on costs? First, we must better understand what is driving cost growth. At the most fundamental level, we know that more people and price inflation drive costs up. But health costs grow faster than the growth in population and prices combined. That is what makes health costs so complicated. Two other factors are contributing to excess growth: new technology and the intensity of care provided.

I do not have a magic solution. But I do know that the Bush Administration's fixation with consumer-driven care only serves to polarize the dialogue. We should not rearrange the deck chairs on the Titanic. We should bridge our philosophical divide by finding ways together to lower costs across the system.

We need to act sooner, rather than later. And we should move on several fronts.

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The Federal government needs to invest more in health information technology. Health IT will provide a better platform to manage costs and make the delivery of care more efficient.

Today, however, patients do not have ready access to their health records. Providers often cannot see their patients' complete medical histories, making it difficult to provide efficient care. Some providers — especially those in small groups and rural areas — have a hard time finding the money to adopt IT.

Last year, Congress came close to passing legislation to encourage IT. But compromises between the House and Senate eluded us. I will work within the Finance Committee. I will reach out to the HELP Committee. I will work to get the Senate to pass meaningful health IT legislation again this year. And I will work to get it signed into law.

We need to share Medicare databases more readily with health researchers. Medicare is the largest single payer of health care services in America. It covers more than 40 million lives. It covers more 70 million hospital days. And it processes nearly a billion physician claims a year. Medicare collects and maintains a wealth of information on care delivered to a significant portion of the population.

Medicare is the most comprehensive resource that our nation has to study the effects of diseases and treatments. With appropriate protections, we could use Medicare data to further our understanding of what constitutes good medicine. This study could help ensure that Americans have a better than 50-50 chance to get the right health care when they need it.

We need to invest more in comparative effectiveness research. Our economy, and our history, is built on innovation. Our health system reflects that heritage. It is the most technologically-advanced in the world. But we need to know whether the care that we pay for really works.

America has been slow to adopt comparative effectiveness research. Last year, our nation spent more than $2 trillion on health care. But we spend less than one tenth of one percent of that seeing whether we are spending on the right things.

To make the right treatment decisions, policymakers, health plans, clinicians, patients, and manufacturers alike need more evidence. The Academy has a thoughtful set of recommendations in this area. I am considering them carefully.

Funding for health services research is like buying a college education. It's an investment in the future.

We should reward high quality care to make sure that we get the best value for our health care dollars. Health costs and outcomes vary across the country. But greater health spending frequently correlates with poorer health outcomes.

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To help control costs and improve patient outcomes, we need to pay more for quality care. My Finance Committee Colleague Chuck Grassley and I have worked together to do more of that in Medicare.

But tying payment to quality of care is complicated. We continue to work closely with physicians and other clinical experts to identify performance measures that can show the way to healthier patients. I will keep pushing until all Medicare beneficiaries get the high-quality care that they deserve.

The fourth principle is prevention. The old aphorism is true: An ounce of prevention is worth a pound of cure.

American health care tends to focus on what happens when you are sick. Whether it is hospital-based care, prescription drugs, or the latest technological advances, we look at treatment.

But we should not relegate prevention to the fringe of our health care system. We should make it the foundation.

We need to encourage primary prevention of disease, when possible. And when primary prevention is not possible, we need to encourage early detection and modification of risk factors. And when illness cannot be prevented, we should focus on coordination of care. And we should seek to avoid the complications of progressive illness.

Prevention should be based on good evidence. If a preventive measure is found to do what it's supposed to do and is cost-effective, all insurers should cover it. And it should be part of the quality assessments of providers.

Take the example of immunizing kids. It's a standard of preventive care. But if insurers do not cover all recommended immunizations, how can we expect people to take this basic preventive step?

We need to reward efforts to prevent disease. Take the example of obesity. Obesity seriously threatens good health. Obesity increases the risk for diabetes, heart disease, hypertension, and other conditions.

Two-thirds of American adults are now overweight or obese. And the trends for children ages six to 19 tripled in a generation. And now, one in three American children is overweight or obese.

As a result, some predict that one in three children born today will develop diabetes. Obesity may make this generation of American children the first in modern history with a shorter life span than their parents.

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Since the year 2000, obesity-related health costs have exceeded $100 billion a year. Taxpayers pay half of obesity-related health costs through Medicare and Medicaid. Obesity now drives increased health spending more than tobacco or alcohol.

The evidence is not complete on the best ways to deal with obesity. But the research was not complete in the early anti-smoking efforts, either. We must take steps to combat obesity, even as the research proceeds.

The fifth principle is shared responsibility. We want universal coverage. But the first question is: Who will pay? Who will bear the burden of a new system? Will employers, individuals, governments, or stakeholders? This is a shared responsibility. And all should contribute.

Upon these five principles, we can build consensus on system-wide health reform. I am confident that the growing perception of a new season of health care reform will bring people with disparate views to work together. Everyone will give and everyone receive. That is the only way to bring about system-wide change.

Conventional beltway wisdom has been that the politics of health care dictate that only incremental changes are possible. I disagree. For health care, the season of incremental change is coming to an end.

I am inspired, and I hope to inspire others, to join in a Congressional dialogue. This year, the Finance Committee will embark on a series of hearings, roundtables, and Member forums to highlight the complex issues. We will plant the seeds of an informed dialogue. The signs on the horizon tell me that this new season is coming. We can no longer wait.

Until we can tackle comprehensive coverage, I recognize that we have the responsibility to make the current system work as well as we can. Thus while we are laying the groundwork for broader reform, we can protect and strengthen existing health care programs.

This year, Congress has an historic opportunity to strengthen the health of our nation's children. Improving and expanding the State Children's Health Insurance Program, or CHIP, is the Finance Committee's first health care priority this year.

We must give CHIP enough money to maintain coverage for those whom it already serves.

We must work to reach the six million uninsured children now left behind — those who are eligible for CHIP or Medicaid but not covered.

We must support state initiatives to use CHIP to cover more children.

We must improve the quality of health care under CHIP.

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And we must not increase the number of Americans without health insurance.

Together with Senator Grassley I will work to improve the health of millions of American children, this year. I expect that the Finance Committee will mark up legislation in the late spring.

Small businesses in this nation are facing very difficult times. As health costs have risen, small employers have struggled to continue to provide coverage. But fewer are able to do so. Just half of employers with three to nine workers offer coverage.

Low coverage rates among small employers hurt their ability to attract workers. Low coverage rates increase the ranks of our nation's uninsured. And low coverage rates increase costs for everyone due to cost-shifting for uncompensated care.

Small businesses are not unique in facing rising costs. And all of us want broader solutions for our health system.

But small businesses do have fewer coverage options. And they have fewer resources than larger businesses.

I plan to take action this year to help small businesses provide health care coverage. I will work to find ways to make health coverage more affordable and accessible for small businesses.

Small business health care must stop being a campaign issue. Surely we can do better. We can all roll up our sleeves and get this done.

The Medicare drug benefit was long overdue. Many diseases that exist today are treated or managed with prescription drugs. And that's why I helped to write the law to create the drug benefit in Medicare.

We've had some good news so far. Premiums are lower than initially projected. Four out of five enrollees report that they are satisfied with the program.

But that means that one in five enrollees is not satisfied.

My goal in the Finance Committee is to ramp up oversight of both the plans and of CMS. Now that the program is in its second year, we have experience and data to probe. Congress can use your help. Your research and analyses can help. You can tell us what works well, and what doesn't.

In addition to oversight of the drug benefit, the Committee will explore meaningful alternatives to the law's prohibition of the government's negotiating drug prices. Last month, we held an informative hearing. And I plan to move forward with legislation soon.

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This year, we will also consider ways to better reach people eligible for the low-income subsidy. And we will seek to improve consumer protections for beneficiaries who participate in the drug benefit.

The Bush Administration is fond of calling the new drug program an "unparalleled success." I prefer to think of it as a work in progress.

This year, we will also explore Medicare Advantage in the Finance Committee. We will start with a comprehensive review of the program. Since the Balanced Budget Act of 1997, plans have cycled in and out of the program in response to legislative and regulatory changes.

The Medicare Modernization Act of 2003 significantly increased Medicare Advantage payment rates in every county in the country. Some counties experienced a resurgence of health plans as a result of the infusion of new funds. Others have seen health plans for the first time.

This resurgence in Medicare Advantage is not free. MedPAC estimates that Medicare Advantage plans are paid, on average, 12 percent more than fee-for-service care. MedPAC recommends that payment should be reduced to equal fee-for-service costs, not exceed them.

Others argue that we are buying valuable extra benefits for people who choose to enroll in Medicare Advantage plans. Many who enroll are low-income. We need to take a close look at what we are buying in the Medicare Advantage program. We need to find out whether the extra payments are worth it.

So I predict a change in the weather for health care reform. I predict a season of serious dialogue. And I predict a constructive year for CHIP, small business heath, and Medicare.

This year, let us truly change the climate of the health care dialogue. Let us recreate the world of health care, and ourselves. And together, for health care, let us bring on a warm new spring.

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