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ISI Group Policy Health Conference (1)

Max S. Baucus

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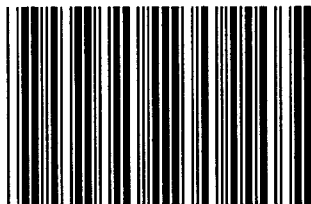
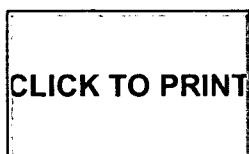
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(2) Subject* **none**

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BAUCUS

Thank you, Tom (Gallagher) for that kind introduction. And thank you for inviting me here today to talk about a cause that has become a calling — health care reform.

With all the different policy challenges these days, I am reminded of what Henry Kissinger once said. He said:

There can't be a crisis next week. My schedule is already full.

But comprehensive health reform is on the top of my schedule at the Finance Committee. And that's because when I look at the numbers, they add up to one thing — a crisis.

Health care costs are skyrocketing. They are squeezing American families. They are leaving American businesses unable to compete in the global marketplace. Health care costs are forcing state and local governments to cut jobs and critical community programs. Health care costs are endangering Medicare's ability to meet its obligations. And they are driving up the Federal debt.

The numbers speak for themselves.

Between 2000 and 2008, health care premiums rose five times faster than wages.

That's a crisis.

In just 7 years, unless things change, most Americans will spend nearly half their income on health insurance. That's a crisis.

Uncompensated care forces the average family with insurance to pay more than \$1,000 a year in increased premiums. That's a crisis.

One-and-a-half million families lose their homes each year to foreclosure because of unaffordable medical costs. That's a crisis.

While our major trading partners pay only 96 cents an hour for health care benefits, American manufacturers pay an average of \$2.38 an hour. That's a crisis.

The numbers say it all. But some still argue that we are trying to do too much, too soon. To them I say: The cost of doing nothing is simply too high a price to pay.

American companies will face crippling burdens, if we do not step up and lower costs, expand access, and reform our system.

If we do nothing, employer spending on premiums will rise from \$429 billion in 2009 to as much as \$885 billion by 2019.

If we do nothing, premiums will increase as a share of workers compensation from 9.6 percent to as much as 17 percent in the next decade.

If we do nothing, individuals and families will see their spending increase from \$326 billion to \$548 billion in the next decade.

The crisis is too deep. And the cost of doing nothing is too high. And that's why support for reforming the system is so strong.

Business owners and executives, doctors and nurses, economists and policy makers all agree: The time to act is now.

I know that you have all followed our efforts in the Senate Finance Committee. Senator Grassley and I have been working diligently on a plan to address our ailing health care system. Early on, we laid out a strategic vision for how to work through the key issues.

Our plan was to have an open and inclusive process. We laid the groundwork throughout 2007 and 2008. We held more than a dozen hearings that highlighted the urgent need for reforms.

After the election, I released a “Call To Action,” a white paper that laid out my thoughts on the direction health reform. We received great feedback from stakeholders and industry groups. I even got a few Senators to read it.

President Obama has helped move the drive forward. The President's budget answers the call for reform by making a historic down payment on health care reform. Over the next 10 years, the budget would invest \$634 billion to reform our health care system.

In the Finance Committee, we established a process to get extensive feedback on the three building blocks of our reform. We looked to develop our ideas for how to make our delivery of healthcare actually function more appropriately. We looked to develop plans for how to actually provide coverage. And we looked at how to finance this effort.

Many of you watched the public roundtables that we held around each of the key topics.

Thought leaders from industry, academia, and think tanks gathered to help Senators from both parties think through key issues.

On reforming our delivery system, we heard from experts on potential payment reforms, evidence-based approaches to achieving savings, and flexibility in the models that we develop to allow providers to adapt. Most importantly, we heard about the need to realign incentives in our payment system to focus on reducing costs and increasing quality.

It's not easy to get our system to change. It's a little like moving a big tanker. But once we turn it in the right direction, over time, it will end up in the right place.

Coverage is plainly a driving concern. Today, millions of people go without health care, because they cannot get the coverage that they need.

Reforming the insurance market will make sure that all Americans can purchase a decent health insurance policy, even if they have a pre-existing condition. In our roundtables, we explored structures of health insurance exchanges. And we had a good debate on the merits and concerns with a public plan. We also discussed how Medicaid could help cover additional uninsured.

On financing of reform, Senators and experts looked at ideas both within healthcare and outside of it. Many experts agreed that the tax treatment of healthcare is regressive and encourages Americans to use more healthcare than necessary. While financing is always a challenge, I was very pleased by the discussion that we had.

The feedback from experts and Senators at the roundtables helped us as we drafted options for the Finance Committee to consider. We laid out a series of options on each segment of healthcare reform over the course of the last month. These options translate ideas from our roundtable discussions into policies that we can enact into law.

We also held meetings of Finance Committee Senators to walk through the options. More than once, we locked ourselves in the hearing room for more than 8 hours talking things through.

These meetings of Finance Committee Senators have been good opportunities for me to hear from other Senators. They've voiced their views on the issues that matter to them. And it has been a good opportunity for the Senators — Democrats and Republicans alike — to bring their ideas to the table.

We have also received hundreds of letters on the options from industry groups and other stakeholders. I've been happy to see the entire healthcare industry so constructively engaged. People are offering thoughtful feedback on the options.

We're not going to pretend to get it right on the first draft. That's where working together with other Senators and with other stakeholders has been so important to our process.

It's important to remember is that nothing has been taken off the table. We have been exploring a number of ideas. And we continue to talk with Senators on the Finance Committee and other Senators about how the ideas fit together.

The schedule remains on track. These discussions are preparing us to be ready to mark up a bill in June. And they are preparing us to be ready to consider health care reform on the Senate floor before the August Recess. I intend to keep us on track to deliver a bill to President Obama to sign into law this year.

I understand some in industry are concerned about some of the options that have been floated. Every industry is going to have contribute its fair share. And everyone needs to remember that we hope to cover the uninsured. And if we do that, our system and stakeholders will benefit.

Pharmaceutical, biotech, and generic companies will see increased sales as the newly-insured can afford drugs and have the ability to stay on their prescriptions as long as they need to. These folks should not have to pay high out-of-pocket costs, and then have to stop taking the prescription when they cannot afford it any more.

Medical device companies will benefit given the pent up demand from the uninsured who cannot afford their innovative technologies.

And all of these critical companies developing these wonderful products will also be viewed more favorably by the American people when everyone has insurance and can afford to buy their products.

Health care providers will also see substantial benefits from reform efforts. Hospitals and providers offering uncompensated care will see a massive benefit from coverage of the uninsured. For too long, hospitals have been carrying a massive burden in uncompensated care. And our legislation will go a long way to reducing that burden.

The managed care industry could see significant volume increases from our expansion of Medicaid and creation of a health insurance exchange.

These Medicaid managed care organizations will sign up new enrollees. And we have already seen some of the major insurance companies telling investors about the opportunities in the individual market.

We are all in this together. And we have to work together to find a solution. Working together, we will get a better bill. And working together, we will get a more sustainable law. So far, the mantra of working together has been a success.

Everyone needs to continue to work in this fashion so we can all see the benefits that come from coverage of the uninsured. If we do not, the environment could once again change. Failed efforts at reform in 1994 were followed with drastic cuts to providers in 1997 as part of deficit reduction. We all need to focus on the unique opportunity that this reform effort brings us today.

In my 30-plus years as a Senator, never has there been a moment like this. We have an opportunity now to change the course of our nation. We have an opportunity to leave a legacy for generations.

It won't be easy. This is the hardest challenge that I have ever faced in my career. To get this done, everyone is going to have to compromise a little. Everyone is going to have to keep an open mind. Folks cannot rush to take things off the table.

Today, costs are so high because our system encourages more care, not better care. If we reform how we pay for health care, we can improve quality and reduce costs.

Today, there are not many safeguards in the health care system to ensure that Americans always receive the highest-quality care. Health care reform will invest in more research on top-quality care. It will make sure that the right information reaches doctors and other health care providers.

We are working to improve the health care system in areas that need work. But there are areas of our system that are working, too. People who like the coverage that they have right now will be able to keep it. And the goal is that costs will go down for those folks, too.

Health reform won't be easy. It's a huge undertaking. But it is a challenge that we cannot afford to ignore.

The numbers are clear: We're facing a crisis. We don't have time to waste.

Working together, we can respond to the crisis. Working together, we can enact health care reform. And working together, we can deliver quality, affordable health care to all Americans.