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January 10, 2007

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****FACT SHEET INCLUDED****

KENNEDY HEARING STATEMENT ON EXPANDING HEALTH CARE FOR ALL BY 2010

MASSACHUSETTS PLAN LEADS THE WAY

WASHINGTON, DC- Today, Senator Edward M. Kennedy, Chairman of the Senate's Health, Education, Labor and Pensions Committee, took the gavel in the Committee's first hearing of the 110th Congress and heard from health care policy experts on the challenges and opportunities of expanding health care coverage to all citizens.

Senator Kennedy has been a tireless advocate for expanding health care as a right for all and closing the disparities in care among racial groups. The Committee heard from witnesses from around the country with health care expertise in business, non-profit and government sectors, including Peter Meade, Executive Vice President of Blue Cross Blue Shield of Massachusetts and John McDonough, Executive Director of Health Care for all, who played critical roles in Massachusetts' recent passage and implementation of its universal health care plan.

Below is Senator Kennedy's hearing statement as prepared for delivery:

KENNEDY STATEMENT ON HEALTH CARE FOR ALL BY 2010
(AS PREPARED FOR DELIVERY)

It is an honor to welcome the members of our committee and our distinguished witnesses to this initial session on the fundamental issue of how to help the nation's families afford quality health care.

Following several productive roundtables convened by Senator Enzi last Congress, we are using this format today so we can allow for more discussion and to hear from a greater array of perspectives. We request that participants make very brief opening comments of no more than three minutes.

We have not required formal written statements, but participants are welcome to submit them if they wish to do so. The hearing record will be held open for 10 days. We will have an open discussion, while making sure that any Senator who wishes to speak will have ample opportunity to do so. In order to keep the dialogue moving, we request that all participants limit their responses to any question to one minute. If the need arises, we may vary the format a little to fit the discussion.

I'm grateful to Senator Enzi for his help and the help of his staff in putting this roundtable together. We look forward to continuing the bipartisan partnership that he established as Committee Chair. The Senate has not yet acted to make our Committee assignments "official", but both Caucuses have made their selections. Many are returning to the Committee and we welcome their continued commitment to health care. We are delighted to be joined by several new Members – including

Senators Obama, Sanders, Brown, Coburn, Murkowski and Allard.

Today's session is the first inquiry into this issue in the new Congress B but it will not be the last. In partnership with Senator Enzi, and with all our colleagues, we'll do our best to develop proposals on how best to see that the promise of this new century of the life sciences reaches all Americans.

Members of the House and Senate have a guaranteed health plan for ourselves and our families. It's time to provide the same guarantee for every man, woman and child in the nation.

The stakes couldn't be higher. Too many trends in health care are going in the wrong direction. Insurance coverage is down. Costs are up. And America is heading to the bottom of the league of major nations in important measures of the quality of care.

Ask people what keeps them awake most at night and many will tell you it's how to afford health care for their families.

Ask companies what's high on their list of problems in trying to compete in the global economy and they'll say it's the cost of health care.

Even ask our military leaders how our troubled health care system affects recruitment and therefore our national security. They'll tell you that nearly 1 in 5 men and 2 out of 5 women of recruiting age are ineligible for military service because they're obese.

In family after family, community after community, business after business, citizens see our health care system struggling. They know that good, affordable care is less and less available.

Nearly 47 million Americans lack even basic coverage, and for tens of millions more, their coverage provides little help if major illness strikes. They often learn that truth too late, when bankruptcy results from massive bills their insurance doesn't cover. Parents struggling to save a critically ill child find themselves mortgaging their homes, maxing out their credit cards, borrowing every dime they can. Even with health insurance, they still stand to lose everything they've worked for.

Costs are obviously heading in the wrong direction. National health spending has grown from 1.35 trillion dollars in 2000 to an estimated 2.3 trillion dollars this year B a trillion dollars more in less than a decade. Those aren't just numbers, they're massive burdens for working families.

Health costs are threatening the livelihoods of millions of families because insurance premiums are rising four and half times faster than wages. Parents have to work longer hours and spend less time with their children, trying to keep pace with these rising costs.

Something is fundamentally wrong when our health system puts more stress on working families, not less. We need to find a solution in this Congress, so that every American has guaranteed access to quality care by the end of the decade.

Many of us have views on how best to address the crisis. I believe the right way is to extend the guarantee of Medicare to all Americans. Senator Enzi and others have advanced proposals to aid small businesses with the high cost of health care. Others on our committee have good ideas as well.

We should discuss all these ideas B and we should pay close attention to the innovative solutions being tried in states across the country.

Last year, in Massachusetts, something remarkable happened. Patients and health professionals, business leaders and community advocates, members of the Democratic State legislature and Republican Governor Romney all rolled up their sleeves and worked together to enact a state health plan that put aside ideology and partisan divisions for the greater common good B affordable, accessible health care coverage for all the citizens of our Commonwealth.

It was fitting that the agreement reached was signed in Faneuil Hall, one of the great birthplaces of the American Revolution. In health reform, the Massachusetts plan is the shot heard round the country.

The same spirit of cooperation that led to our success at Faneuil Hall exists in Vermont, Illinois, Connecticut, California, and many other states across the nation where all parts of the community are beginning to come together to find solutions to the crisis. Yesterday Governor Schwarzenegger set the admirable goal of universal coverage for the citizens of California.

We must learn that lesson here in Washington. The need for action has never been more urgent, and the consequences of failure have never been more dire. I look forward to working with the committee and with our witnesses here today to achieve the success that=s become so long overdue.

MEDICARE FOR ALL BY 2010 QUALITY, AFFORDABLE, HEALTH CARE FOR ALL AMERICANS

America faces a health care crisis. Too many Americans are uninsured, and the number of the uninsured is increasing at an accelerating rate. No American family is more than one pink slip or one employer decision to drop coverage away from being uninsured. Health care costs are too high and are rising at double-digit rates. Our dysfunctional health care financing system makes it harder for American businesses to compete in the global economy, creates incentives to outsource jobs abroad, has slowed job growth even as the economy recovers, and has been an especially heavy burden on manufacturing.

America's failure to assure the basic human right to health care to all its citizens was one of the great public policy failures of the 20th century. Recent data emphasizes the urgency of redressing this failure. Forty-six million Americans are uninsured, and the most recent Census Bureau figures show that the number of uninsured increased by nearly one million Americans in 2005 alone.[i] <#_edn1>

Even these figures understate the problem. Over a two year period, 82 million Americans—one out of every three non-elderly Americans--will be uninsured for a significant period of time.[ii] <#_edn2>

After a brief period of stability in the mid-90s, health care costs are rising at unacceptable rates far in excess of inflation. Health insurance premiums have risen at double-digit rates since 2000, and have increased a whopping 73% in the last five years.[iii] <#_edn3> Health care spending reached 16% of GDP, the highest level in our nation's history.[iv] <#_edn4>

The high level of American health care costs combined with a financing system that places the burden of paying for coverage on employers who voluntarily choose to offer health insurance puts American firms at a competitive disadvantage. As a proportion of GDP spent on health care, America is first in the world by a large margin. By that standard, we spend 49% more than the Swiss, the next highest spending country, 88% more than the Germans, 150% more than the British, and 160% more than the Japanese, according to the latest data from the OECD.[v] <#_edn5> Our extraordinary level of health spending, however, is not reflected in better health outcomes. Among the world's leading industrialized countries, the United States ranks 22nd in average life expectancy and 25th in infant mortality.[vi] <#_edn6>

Not only are our health care costs much higher than our trading competitors, but our system forces employers to finance a much higher proportion of costs than firms abroad, because foreign systems rely much more on broad-based public financing.[vii] <#_edn7> The heavy burden the health care financing system adds to labor costs in the United States also acts as a drain on hiring and provides an additional incentive for outsourcing jobs abroad.

The Burden of Being Uninsured:

- In any given year, 1/3 of the uninsured go without needed medical care.[viii] <#_edn8>
- Eight million uninsured Americans fail to take medication their doctors prescribe--because they cannot afford to fill the prescription.[ix] <#_edn9>
- Two hundred and seventy thousand children suffering from asthma never see a doctor. Three hundred and fifty thousand children with recurrent earaches never see a doctor. More than three hundred and fifty thousand children with severe sore throats never see a doctor.[x] <#_edn10>
- 27,000 uninsured women are diagnosed with breast cancer each year. They are twice as likely as insured women not to receive medical treatment until their cancer has already spread in their bodies. As a result, they are 50% more likely to die of the disease.[xi] <#_edn11>
- 32,000 Americans with heart disease go without life-saving and life-enhancing bypass surgery or angioplasty – because they are uninsured.[xii] <#_edn12>
- Whether the disease is AIDS or mental illness or cancer or heart disease or diabetes, the uninsured are left out and left behind. In hospital and out, young or old, black or white, they receive less care, suffer more, and are 25% more likely to die than those who are insured.[xiii] <#_edn13>
- Medical costs account for about half of all bankruptcies, affecting over 2 million people annually.[xiv] <#_edn14> More than 9 million families spend more than 1/5 of their total income on medical costs.[xv] <#_edn15>

Characteristics of the Uninsured:

- 81% of those without insurance are employees or family members of employees. Of these uninsured workers, most are members of families with at least one person working full-time.[xvi] <#_edn16>
- The uninsured are predominantly low and moderate income persons who cannot afford to buy coverage in the individual market. Approximately two thirds have incomes below 200% of poverty.[xvii] <#_edn17>
- 8.3 million children are uninsured, one-fifth of the total without coverage.[xviii] <#_edn18>
- Large numbers of people in all racial/ethnic groups are uninsured, but minorities suffer the most. One in ten non-Hispanic whites are uninsured, one in five African-Americans are uninsured, and one in three Hispanics are uninsured.[xix] <#_edn19>

Health Care Costs

- Excessive inflation in health care costs not only burdens the economy but is a major factor in increasing the number of the uninsured.
- After several years of low growth, health care costs are now rising very rapidly. Health insurance premiums increased 10.9 percent in 2001, 12.9% in 2002, 13.9% in 2003, 11.2% in 2004, and 9.2% in 2005. The cumulative increase over the five years was 73%, while the cumulative increase in the CPI was only 13.6% [xx] <#_edn20>
- National health expenditures are projected to reach \$3.6 trillion in 2014, growing at an average annual rate of 7.1 percent from 2003-2014. As a share of GDP, health spending is projected to reach 18.7 percent by 2014.[xxi] <#_edn21>
- Claims processing and other administrative functions cost the health care system \$600 billion per year – money that could be better spent on patient care.[xxii] <#_edn22> America's fragmented health financing system is a major driver of these high administrative costs. In Canada, where health insurance is publicly financed and providers bill the government for all services rather than having to deal with a multiplicity of insurance companies with different rules and payment formulas, administrative costs are only about half as high as in the United States (16.7% of total health costs in Canada vs. 31% in the United States).[xxiii] <#_edn23>
- The administrative expense needed by the government to run the Medicare program accounts for

only 3% of Medicare spending. By contrast, the amount of every premium dollar retained by private insurance companies for marketing, administration and profit is 14%.^[xxiv] <#_edn24>

- Healthcare is one of the least efficient industries in America. Settling a single transaction in health care can cost as much as \$12 to \$25, whereas banks have cut their costs to less than a penny per transaction by using modern information technology.
- According to a study conducted by the RAND Corporation, by utilizing advanced information technology and adopting electronic medical records for every patient, America could save over \$160 billion a year by reducing duplicative care, lowering health care administrative costs, and improving quality.^[xxv] <#_edn25>

Burden on U.S Competitiveness and Job Growth

- Government data, industry surveys, and interviews with employers indicate that many businesses remain reluctant to hire full-time employees because health insurance has become one of the fastest growing costs for companies.^[xxvi] <#_edn26>
- A recent study found that employers have reduced hiring in response to rising health insurance premiums, and that industries with higher health care costs have had slower job growth. This has been especially true for the manufacturing sector.^[xxvii] <#_edn27>
- U.S. employee benefit costs—of which health care is the largest component—for manufacturing firms are higher than most of its major competitors and the private share of overall health expenditures is much higher in the U.S. than it is for its major competitors.^[xxviii] <#_edn28>
- Ten percent of the total cost of a ton of steel manufactured in the United States is consumed by retiree health benefits alone.^[xxix] <#_edn29> Starbucks now spends more on health care than it does on coffee.^[xxx] <#_edn30> The difference between the way health care is financed in Canada and the U.S. saves the Canadian auto industry \$4.00 an hour in worker compensation compared to the U.S. The Canadian branches of the big three automakers have released a joint letter with Canadian Auto Workers Union stating that the Canadian health care system is a “strategic advantage for Canada” and “has been an important ingredient” in the success of Canada’s “most important export industry.”^[xxxi] <#_edn31>

The Medicare for All proposal

The "Medicare for All" plan will make health care coverage available to every American by expanding the Medicare program to the under 65 population. To promote competition and choice, enrollees will also have the option of choosing any of the plans offered to members of Congress, the President, and Federal employees.

Costs will be reduced by administrative savings from moving to a Medicare-style financing system, by bringing modern information technology to health care, by improving quality of care, and by rewarding health care providers based on performance, not just on the number of procedures performed. International competitiveness and job creation will be enhanced by reduced costs and by shifting some of the burden of financing from business contributions to general revenues, as well as the healthier and more productive work-force that will result from universal health insurance coverage.

To ease the transition to the new system, coverage will be implemented in phases. In the first, coverage will be extended to individuals 55-65 and to children under 20 years old. In later phases, coverage will be extended to all other Americans not already covered under Medicare.

Benefits

Benefits available to the under 65 population under the expanded Medicare program will be the same as those provided under Medicare, with additional benefits appropriate to the wider age range served by the new program. These will include early and periodic screening, diagnosis and treatment, enhanced preventive care, home and community based care and other services deemed appropriate to meet the nation's health needs. This plan provides comprehensive medical benefits, including prescription drug coverage, without the damaging gaps in coverage and chaotic administrative features of the Republican Medicare drug law.

Enrollees may also choose any private insurance plan available to members of Congress under the Federal Employees Health Benefit Program. These plans all have comprehensive benefit packages, but differ in specifics like dental coverage, vision coverage, and co-payments. HMO and PPO options are available under FEHBP.

Freedom of choice

- Every enrollee in the expanded Medicare program is guaranteed the right to go to the doctor, hospital, or other health care provider of their choice, just as they are under the current Medicare program. This is a significant improvement over the current health financing system, under which insurers generally limit enrollees to providers chosen by the insurer or require them to pay high additional cost-sharing if they want to go to an "out-of-network" provider.

In addition, all enrollees have the right to choose one of the private health plans available to members of Congress, if that is their preference.

Private health care delivery system

- While the new program will be largely publicly financed, the health system itself will remain private. Just as under the current Medicare program, doctors, hospitals and other providers will continue to operate as independent, private entities. As under Medicare, the program will be largely

be administered by private carriers and intermediaries.

Eligibility and enrollment

- Any individual with a social security number is eligible to participate in the plan and will be automatically enrolled in the extended Medicare plan unless they choose one of the private options. There will be the opportunity to switch plans annually, just as there is under the FEHBP program.

Cost reduction through improved quality of care

- Information technology can make a real difference in patient care. Computerized medical records, coupled with decision support software, can help avoid dangerous medical errors, assist in coordinating care for patients receiving services from multiple providers, help patients take responsibility for their own health, and improve the quality of care. Under Medicare for All, health care providers will be rewarded for improving the quality of care they give to patients. One measure of health care quality will be appropriate use of information technology systems that improve care quality and reduce costs.

Role of Medicaid

- Medicaid will continue to provide supplemental services and cost-sharing assistance to very low income and disabled individuals.

Medicare

- The current Medicare system will continue to provide insurance for the over-65 population and for eligible disabled individuals.

Cost of plan

- The plan will create large savings--\$380 billion a year--at the same time it provides quality, affordable care for all Americans. The Institute of Medicine has estimated that, with no other changes, there would be a savings of \$130 billion from extending coverage to all. Increased utilization of health care services by the currently uninsured will be offset by reductions in cost as the result of better prevention and earlier treatment of illness and by the economic benefits of a healthier population.[xxxii] <#_edn32>

In addition, the plan will save over \$160 billion a year as the result of universal adoption of an electronic medical record and advanced information technology, \$70 billion a year in reduced insurance overhead costs, and \$50 billion a year from reduced administrative costs to providers from dealing with a simpler, more uniform billing system.[xxxiii] <#_edn33>

While the plan will create large savings overall, there will be a significant cost-shift from individuals and businesses who now pay for the cost of health insurance to public financing sources. Preliminary estimates of the increase in federal spending are \$600 billion a year, more than offset by reductions in costs to individuals and firms. The cost increase to the government will be fully covered by payroll taxes and general revenues, and will not add to the deficit.

Financing

- The plan will be financed by a combination of payroll taxes and general revenues. Eighty-five percent of the financing will come from payroll taxes and 15% from general revenues. A preliminary

estimate of the payroll tax financing necessary will be a payment of 7% of payroll by businesses and 1.7% by workers. By comparison, businesses providing coverage today spend an average of 13% of payroll to cover their workers.

[i] <#_ednref1> . U.S. Census Bureau, “Income, Poverty and Health Insurance Coverage: 2004,” August, 2005.

[ii] <#_ednref2> . Families USA, “One in Three: Non-elderly Americans Without Health Insurance, 2002-2003,” June, 2004.

[iii] <#_ednref3> Kaiser Family Fund and Health Research and Education Trust, Employer Health Benefits 2005 Annual Survey

[iv] <#_ednref4> . CMS, Office of Actuary, “National Health Expenditures.” 2006 report.

[v] <#_ednref5> OECD, *OECD Health Data 2005*

[vi] <#_ednref6> Ibid.

[vii] <#_ednref7> National Association of Manufacturers and Manufacturers Alliance, “How Structural Costs Imposed on U.S. Manufacturers Harm Workers and Threaten Competitiveness,” December, 2003.

[viii] <#_ednref8> . The Henry J. Kaiser Family Foundation Commission on Medicaid and the Uninsured. June 1998.

[ix] <#_ednref9> . *Ibid.*

[x] <#_ednref10> . Stoddard JJ et al., 1994, “Health Insurance Status and Ambulatory Care for Children,” *New England Journal of Medicine*, 330(20): 1421-1425.

[xi] <#_ednref11> . Ayanian, J. Z., Kohler, B. A., Abe, T., Epstein, A. M. (1993), “The Relation Between Health Insurance Coverage and Clinical Outcomes Among Women with Breast Cancer”, *New England Journal of Medicine*, 329: 326-331, Data extrapolated to national level.

[xii] <#_ednref12> . Wenneker, M. B., Weissman, J. S., Epstein, A. M. (1990), “The Association of Payer With Utilization of Cardiac Procedures in Massachusetts”, *Journal of the American Medical Association*, 264: 1255-1260, Data extrapolated to the national population.

[xiii] <#_ednref13> . The Institute of Medicine, *Care without Coverage: Too Little, Too Late*, National Academy Press, 2002.

[xiv] <#_ednref14> . Himmelstein et al. "Illness And Injury As Contributors To Bankruptcy" *Health Affairs*. Web exclusive. Feb. 2, 2005.

[xv] <#_ednref15> . Sullivan, T.A., Warren, E., Westbrook, J. (2000) *The Fragile Middle Class: Americans in Debt*. Yale University Press.

[xvi] <#_ednref16> . Kaiser Family Foundation Commission on Medicaid and the Uninsured. Fact Sheet, November 2005.

[xvii] <#_ednref17> . *Ibid*.

[xviii] <#_ednref18> . U.S. Census Bureau, "Income, Poverty, and Health Insurance Coverage in the United States: 2004," August, 2005.

[xix] <#_ednref19> . *Ibid*.

[xx] <#_ednref20> Kaiser Family Fund and Health Research and Education Trust, Employer Health Benefits 2005 Annual Survey; Bureau of Labor Statistics.

[xxi] <#_ednref21> . Center for Medicare and Medicaid Services, Office of the Actuary, "National Health Expenditure Projections." January 2006.

[xxii] <#_ednref22> . Woolhandler, Campbell, and Himmelstein, "Costs of Health Care Administration in the United States and Canada," *New England Journal of Medicine*, 2003, 349: 768-75.

[xxiii] <#_ednref23> *Ibid*.

[xxiv] <#_ednref24> CMS, Office of the Actuary, National Health Expenditures, Table 12

<#_ednref25>

[xxv]. Hillestad et al. "Can Electronic Medical Record Systems Transform Health Care? Potential Health Benefits, Savings, And Costs" *Health Affairs*. Vol. 24 No. 5; pp. 1103-1117; September/October 2005.

[xxvi] <#_ednref26> *New York Times*, August 19, 2004, p.1.

[xxvii] <#_ednref27> Sarah Reber and Laura Tyson, "Rising Health Insurance Costs Slow Job Growth and Reduce Wages and Job Quality," August 19, 2004.

[xxviii] <#_ednref28> National Association of Manufacturers and Manufacturers Alliance, "How Structural Cost Imposed on U.S. Manufacturers Harm Workers and Threaten Competitiveness," December, 2003.

[xxix] <#_ednref29> *IndustryWeek.com*, Interview with Wilbur L. Ross, Chairman and CEO of WL Ross and Co., January 7, 2005.

[xxx] <#_ednref30> *Forbes* “Starbucks' Schultz Bemoans Health Care Costs” September 15, 2005.

31 *IndustryWeek.com*, Interview with Wilbur L. Ross, Chairman and CEO of WL Ross and Co., January 7, 2005.

<#_ednref31> 32 Morton Mintz, *The Nation*, “Single-Payer: Good for Business,” November 15, 2004.

<#_ednref32> 33 Institute of Medicine *Hidden Costs, Value Lost: Uninsurance in America* (2003)

<#_ednref33> 34 Hillestad et al. “Can Electronic Medical Record Systems Transform Health Care? Potential Health Benefits, Savings, And Costs” *Health Affairs*. Vol. 24 No. 5; pp. 1103-1117; September/October 2005, for information technology savings; Professor Ken Thorpe, Emory University for savings in insurance overhead; staff estimate for administrative savings to providers.

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