Donna Shalala

Donna E. Shalala was the longest serving Secretary of Health and Human Services (HHS) in U.S. history. She served from January, 1993 to January, 2001.

As HHS Secretary, Shalala oversaw the welfare reform process, helped make health insurance available to an estimated 3.3 million children through the implementation SCHIP, raised child immunization rates to the highest levels in history, supervised reforms of the FDA's drug approval process and food safety system, revitalized the National Institutes of Health (NIH), and administered policy reform of Medicare. At the end of her tenure as HHS Secretary, The Washington Post described her as "one of the most successful government managers of modern times."

In 2007, President George W. Bush selected Shalala and Senator Bob Dole to co-chair the Commission on Care for Returning Wounded Warriors. The Commission was charged with evaluating how injured service members transition from active duty to civilian society.

Shalala became President of the University of Miami and Professor of Political Science on June 1, 2001. Shalala has more than 25 years of experience as an accomplished scholar, teacher, and administrator. She served as President of Hunter College of CUNY from 1980 to 1987 and as Chancellor of the University of Wisconsin-Madison from 1987 to 1993.

The Future of Health Care Reform

Testimony of Donna E. Shalala, Ph.D.

For Hearing on Seizing the New Opportunity for Health Reform

Before the United States Senate

Committee on Finance

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Chairman Baucus, Ranking Member Grassley, and members of the Committee on Finance, thank you for the opportunity to testify today on the topic of health care reform.

I have purposely not commented on the plans of the presidential candidates or member of congress. Rather, I chose today to talk about why we need a universal coverage strategy and the political challenges of achieving our goal.

In many ways, the United States health care system is the envy of the world. Our hospitals are filled with world class technology, our doctors, nurses, physical therapists, and other professionals are dedicated and well educated. Our dynamic innovative pharmaceutical industry consistently produces drugs to extend the length and quality of human life.

Underpinning our success is our world class investment through NIH and NSF in our extraordinary research universities, which are simply unmatched in their brilliance.

But, while America leads the world in these aspects of health care and science, statistics show that we as a country still face many health care challenges, particularly when it comes to properly insuring our population. At last count, nearly 47 million Americans, including 9 million children, are without health insurance and an additional 17 million are considered underinsured.

Nearly 80 percent of this uninsured population holds full time employment or lives in a family with at least one full time worker. These are low and middle class Americans that get up and go to work each and every day, but are simply not employed by a company that offers health insurance or the insurance that is offered is too expensive for them to afford.

Even for those fortunate enough to have health insurance, the premiums for these plans are continuing to rise and show no sign of leveling off. With gas approaching nearly $4.00 a gallon and a world economy showing signs of recession, money is stretched thinly in every working family and our families are increasingly facing difficult decisions with regard to the cost and availability of health insurance.

When the Henry J. Kaiser Foundation pollsters asked Americans: What issues they would like the presidential candidates to talk about, they put health care in the number three slot after the economy and Iraq. However, a closer review by the Foundation analysts revealed that our fellow citizens are linking the economy and healthcare.

Drew Altman, President of the Henry J. Kaiser Foundation reported last week:

> "When we asked the public about the types of problems they were experiencing as a result of the economic downturn, serious problems paying for health care

and health insurance ranked in a statistical tie for second along with job issues, behind paying for gas which was named by far and away the largest share of the public. More people reported serious problems paying for health care than paying for food, their rent or mortgage, credit card debt, or losing money in the stock market; all pocketbook issues you would expect people to care a lot about.

"Problems paying for health care extended well into the ranks of the middle class. Moreover, significant percentages of the public told us that the problems they were having were rippling through their family budgets, affecting their ability to pay other bills, using up their savings, or making it hard for them to pay for food or other necessities…premiums have risen wages have not kept pace, so it's not surprising that people are feeling the pinch.

"The costs of health care and health insurance are also important in political terms. Our polls show that these costs, more than expanding coverage, are the health issues independent voters care about most, and they are the voters the candidates will be courting most in the upcoming election.

"When you see the polls over the next two years that show the economy number one, Iraq number two, and health number three and potentially even falling a little, remember that health is not necessarily a fading issue, because it should be seen as part of the public's broader and rising economic concerns. The rise of economic worries and problems, rather than becoming a reason to defer action on health could present an opportunity to reframe the issue as the public sees it: as a single overarching problem of the affordability of care, and not as we health policy people think about it, as separate challenges of controlling costs and expanding coverage. And with paying for health care ranking up there with job issues and gas prices for the public as daily economic problems, elected officials might want to think about addressing the public's health care concerns differently too; not just through the lens of health reform, but as economic policy as well."

According to the Centers for Medicare and Medicaid, (CMS), the United States in 2006 spent approximately $2.1 trillion, or more than $7,000 for every American man, woman, and child, on health care. That figure represents a 6.7% increase in health care spending over 2005. If America's spending patterns remain relatively constant and continue to increase by approximately 7% each year. The Centers estimate that by 2017 America will spend nearly $4.1 trillion each year on health care services.

As a country we are spending 16% of our annual GDP on health care, but still have more than 47 million Americans uninsured. This represents a serious and profound challenge for our country's leaders.

Other industrialized countries around the world have successfully developed universal health care programs for their citizens, ensuring coverage for all while costing significantly less than the American model. Countries such as Switzerland, the United

Kingdom, France, and Taiwan have proven that universal health coverage can work, and perhaps equally important, is economically sustainable.

While these programs cannot and should not merely be grafted onto the American system, they do illustrate the availability and viability of other programs besides our own.

Here at home, states like Massachusetts, Vermont, and Maine have begun to implement universal health care systems in the hopes of covering the growing number of individuals without adequate health insurance.

With nearly two million individuals losing health coverage each month and thousands dying prematurely each year because they lack adequate health care access, it has become clear that something must be done.

Only with the successful implementation of a universal health care strategy, will the United States have the potential to not only extend quality coverage to the millions of Americans currently uninsured, but also have the opportunity to save billions of dollars in the process. While this might seem counter intuitive, the low cost preventative care afforded by universal coverage will help America to save the billions of uncompensated dollars currently spent each year treating uninsured individuals. Although the United States may spend more money at the outset to cover the uninsured, in the long run our society will benefit from the implementation of a universal health care strategy.

Not only will we as a country have a health care model that is more affordable and economically viable, but our economy will benefit from the infusion of a more productive labor force.

In order to be ultimately successful, a strategy of cost containment must also accompany any plan for universal coverage. Although some analysts have called for America to forgo a system of universal health care and instead introduce cost containment alone to reduce the billions of dollars of waste, in order to be truly successful, both strategies must be implemented--parallel to one another. Though a short term cost containment program may look promising, it is nevertheless a strategy still rooted in our current fragmented system. When combined with a system of universal coverage, however, cost containment has the potential to maximize effectiveness and cost savings while also cementing long-term positive changes to our health care system.

Once all individuals are insured, it will become immeasurable easier for the health care community to find and eliminate the billions of dollars of waste that continue to weigh us down. Although cost containment has been a goal for decades in the health community, when enacted within a system of universal coverage, the overhead costs of achieving savings will be lower. Meanwhile, we should begin by ending the outrageous cost of everything from wheelchairs to oxygen in Medicare.

As compared with our current approach, cost-control methods utilized in conjunction with a strategy for universal coverage will not only help to lower costs and improve quality for patients, but will also benefit health care providers and the insurance industry as well.

Another area for increased savings and cost control is the sphere of information technology. We live in a world of rapid technological innovation. This innovation has infused and enriched our culture, helped extend the length of human life, and allowed us to communicate in ways previously unthinkable.

But, while technology has been instrumental in the development of new and often expensive medical equipment and treatments, its usefulness as a tool of cost savings has only begun to be tapped.

The clearest starting point in beginning to reap the cost savings rewards of information technology is the development of electronic medical records. Electronic medical records have the potential to dramatically cut health care costs by improving communication between physicians, enhancing the capacity of health care providers to efficiently perform surveillance and monitoring of care delivery, and decreasing the utilization of care by patients who chronically abuse the system.

Tests will no longer have to be retaken because results may have been lost, medical errors and the costly medical liability which accompanies them will be lowered, and most importantly, patients will have a greater chance of receiving the proper care they need at the time that they need it.

To see the benefit that such a system of electronic medical records can have within a complex and technologically advanced health care system, one need only look as far as the Department of Veterans Affairs.

Since the early 1990s, the VA has been a pioneer in adopting information technology, utilizing an integrated medical recordkeeping system called VistA to promote high-quality, cost-efficient care. The VA has heavily invested in its system of electronic medical records and that effort has paid off. In a recent study published in the New England Journal of Medicine, when researchers used 11 measures to compare VA patients treated in the VA's own hospitals with Medicare patients treated in a mixture of private and public hospitals, the VA's patients were in better health and received more of the treatments professionals believed they should.

These researchers attributed the majority of this success to the VA’s enthusiastic support and implementation of electronic medical records.

Although electronic medical records have been able to increase the quality of care provided at VA facilities, they have also helped the VA lower the costs of treating patients. With a system of electronic medical records in place, every x-ray image taken,

lab note written, or drug prescribed for a particular patient can be found in one central and easily accessible location.

Researchers at Dartmouth University recently found that America wastes as much as a third of the $2.3 trillion it spends on medical care each year and that much of the waste comes from disorganization and lack of information. With the implementation of a comprehensive electronic medical recordkeeping system such as the VA's VistA program, the civilian health care sector will finally be able to eliminate much of this waste.

Building upon the foundation of electronic medical records, America's health care system could further expand its cost savings by utilizing the strengths of information technology to introduce a system of comparative effectiveness.

American society as a whole embraces technological innovation, and the health care sector should be no different. While all patients undoubtedly want the most up-to-date equipment and to benefit from the most cutting-edge tests, oftentimes older medications and equipment can be as effective, or even more so; all while costing a fraction of the price. Just because something is newer and more expensive doesn't always make it better.

The United States must in the coming years develop a system of comparative effectiveness so that the health community can adequately establish the cost/benefit ratios of new treatments and determine how they can be implemented most successfully.

Past comparative effectiveness trials have shown that while an expensive treatment may be very effective when used as a first-line therapy, it might have limited effectiveness in other advanced cases. Additionally, older and less expensive anti-psychotic drugs have been shown to be just as effective as newer and often more expensive treatments. As Secretary Levitt has pointed out recently:

> "Doctors, hospitals and other medical providers are paid at the same rates for low-quality or high-quality performance. Physicians, who take measures that prevent acute flare-ups of chronic conditions, are paid no more than those who don't. Skilled nursing facilities that prevent unnecessary re-hospitalizations are paid the same as those that don't.
>
> In fact, poor quality is often rewarded. When patients contract preventable hospital infections, costs skyrocket and in most settings, the hospital profits from it. Not only is our current system quality-indifferent, we reward poor quality!
>
> Patients deserve to know the quality of the care they receive according to standards set by the experts. The information should be transparent, and most of all, we should reward quality."

It is important to note that comparative effectiveness is not care rationing. It is simply a method of tackling our country's growing health care expenditures by determining, based on independent research, the most effective course of treatment for any particular patient based on his or her individual needs. If we want to continue and make permanent the cost savings gains to be reaped from the implementation of universal health care and the adoption of electronic medical records, then America must also develop a system of comparative effectiveness so that health care providers can quickly and efficiently compare varying treatments, both those cutting edge and more traditional, to determine which will produce the greatest outcome for the patient.

Finally, a vigorous campaign against fraud and abuse is vital. Center for Medicare and Medicaid (CMS), The Department of Justice, the Department of Health and Human Service's (HHS) Inspector General, local and state law enforcement must be given and held accountable for billion dollar yearly goals to continue to tackle fraud in our healthcare system.

When working towards health care reform, we cannot forget the painful lessons of the past. At his 1993 State of the Union speech, President Clinton set forth one of the major priorities for his new administration when he called for "America to fix a health care system that is badly broken…[and give] every American health security - health care that's always there, health care that can never be taken away."

While Americans were initially quite receptive to the President's plan, over time that support diminished considerably. Although a majority of the population was excited about the creation of a system of health coverage for the uninsured, during the course of the debate over the plan those individuals who already had health insurance became increasingly cautious.

While these individuals held a deep and powerful belief that costs were too high and that the health care system needed reform, they also feared that the newly proposed Clinton system might radically alter the way they were used to receiving medical care.

As is true today, in 1993, 80% of individuals with health insurance described themselves as satisfied with the quality of the health care they received. While these individuals supported plans to provide affordable health insurance to those currently uninsured, they were relatively happy with their own plans and did not want that coverage threatened. However, they did want to see their premiums lowered and co-pays reduced. It was also clear the insured did not want to have to see different doctors or take different medications because the government altered the terms of their coverage. If legislation supporting the enactment of a universal coverage strategy is to be successful this time around, we must learn from the failure of the Clinton health proposal and ensure that those already with health insurance do not come to view efforts at reform as having a negative impact on their own care. This is not to suggest that individual mandates or tax breaks are not useful – just a reminder that past history

should make us very wary of beginning any new discussion of a reform strategy by challenging those who are happy with their current insurance plans.

One final point on the politics: if you look at the history of giant steps in social policy in this country--Social Security, Medicare and Medicaid, Welfare Reform – two things were present. First, there was consensus among Americans on the definition of the problem. Second, there was consensus on the solution – in many cases an expanded government role. In the case of Medicare, a compromise was struck with government as the payer and the private sector providing the delivery system. Both agreement on the definition of the problem and solution must be present if we are to succeed.

As we look to the future of health care, we often need look no further than health care professionals themselves. They have begun to innovate a variety of methods and techniques that will ultimately help augment a system of universal health care. Many are commonsense improvements being developed by nurses on the front lines of care and are helping transform the fundamental way that medical care is delivered in this country.

In hospitals, universities, and health centers all over the country, nurses are devising new strategies to get patients and their families care that is safe, affordable, coordinated, and effective. Through a new campaign called *Raise the Voice*, the American Academy of Nursing is highlighting these nurse-led models of care that result in lower costs and a healthier population.

In conclusion, I believe it is fair to say that the United States health system is currently at a crossroads. Even while America spends significantly more on health care than any other nation in the world, 47 million Americans remain uninsured.

Given the current slowdown in the economy and the challenges that can create for employers, we likely will see the number of uninsured in this country rise substantially over the coming months.

With costs rising and coverage waning, strong political leadership is needed to ensure that America's health care system can provide coverage for all Americans at an affordable price.

Achieving a universal coverage strategy will be a milestone in our nation's history and one that will only help to further facilitate the implementation of other cost saving measures such as electronic medical records.

Although any strategy for universal coverage will undoubtedly see many revisions before its final form, we as a nation must recognize the benefits that such a system can and will have for our country and begin a new chapter in our health care history - one with healthier citizens, a more robust economy, and billions saved.

While we as individuals may differ on the details of how such a strategy should ultimately be shaped, I believe we must set the bar high and accept universal health care coverage as an idea whose time has finally come.

I appreciate the opportunity to have testified before the Committee today and welcome your questions. Thank you.