

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)
at Senate Budget Committee Hearing on Health Care Information Technology
February 14, 2008**

We want to welcome our witnesses to today's hearing. Valerie Melvin, the Director of the Human Capital and Management Information Systems Issues section of the Government Accountability Office. It is good to see you. Thank you for being here. Laura Adams, the President and CEO of the Rhode Island Quality Institute. We're glad that you are here as well, undeterred by the traffic conditions in the Washington metro area. And Mary Grealy, President of the Healthcare Leadership Council. Thank you all for being here. What a distinguished group of witnesses we have.

We want to thank as well members of this Committee who have been so active on this issue, particularly I want to thank Senator Whitehouse for his leadership. He has been a foremost advocate for health care information technology. We appreciate his really tireless efforts to address this issue. Thank you Senator Whitehouse.

I also want to acknowledge the work of Senator Stabenow and her pushing of information technology in health care and what it can do both to reduce cost and improve outcomes. And we also should salute Senator Enzi on the other side who is the ranking member of the HELP Committee and who has been actively engaged on this. And I would be remiss if I didn't thank our ranking member, Senator Gregg, who has helped push through legislation, that if we could get it passed, would really form a foundation of the information that is required to make dramatic improvements in health care. We really want to salute his leadership role. It has been very important and we thank him for it.

Let me just run through a couple of items to put this in perspective, or at least as I see it. Our health care system is simply not as efficient as we would all like it to be. We are spending far more on health expenditures as a percentage of gross domestic product than any other country in the OECD. And we spend more and more on health care as a percent of GDP each year. It really is quite startling that we are at 16 percent of our gross domestic product. That means about one in every seven dollars in this economy is going for health care.

Despite this additional health care spending, health care outcomes in the United States are no better than health care outcomes in the other OECD countries, and OECD stands for the Organization for Economic Co-operation and Development. The OECD is really the international scorekeeper on these issues. Despite this fact, the number of uninsured continues to grow. In fact, the number of uninsured increased by over two million in 2006 – - to now reach 47 million people.

It turns out, however, that demographics are not the biggest issue driving our long-term budget outlook. Rising health care costs will have a far bigger impact, as the head of the GAO has testified before this Committee. This is not just an issue of federal health spending and its impact on the federal budget. We can see it in the private sector as well. If we continue on the current trajectory, the private sector will be overwhelmed by rising health care costs. In fact, if we look at total health care spending, if we stay on this trend line – I want to emphasize that – if we stay on this trend line, it will grow from 16 percent of gross domestic product – which is already high – to more

than 37 percent by 2050. Clearly, we must make changes. That would be one in every three dollars in this economy. No one is more acutely aware of that than the ranking member.

Here is what CBO Director Orszag told this Committee earlier this year: “I think it’s a mistake to look at containing costs just within the federal programs themselves, Medicare and Medicaid. The underlying driver of that cost growth, of the costs in those programs, is the underlying rate of cost growth in the health sector as a whole. And tackling that problem is perhaps the fundamental fiscal challenge and an important economic challenge facing the nation.”

There are a number of health care reforms that have the potential to provide savings and improve health care outcomes. I think we should also acknowledge, if we are going to be honest with ourselves, that some of these reforms will have upfront cost. And we don’t know yet how much they will ultimately save. But if we are going to address rising health care costs, we need to get started on some of these reforms. Here are several of the options with the potential for long-term savings:

- (1) expanding effectiveness research;
 - (2) better coordinating care for the chronically ill;
 - (3) changing provider incentives and beneficiary cost-sharing to encourage use of best practices;
 - (4) promoting healthy lifestyles and preventive care; and
- Finally, the widespread adoption of health care information technology.

I am going to stop there and turn to my ranking member for his opening observations and then we’ll go right to the witnesses.