

LESSONS FROM OUR WAYS AND MEANS COMMITTEE HEARING ON DELIVERY SYSTEM REFORM

From: The Committee on Ways and Means

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Public health insurance plan is essential to ensuring the adoption of critical delivery reforms

Dear Colleague:

Earlier this week, the Ways & Means Committee held a hearing on reforming the health care delivery system. Members of the Committee discussed how to change the delivery of health care to get more value and curb growing health care costs, while encouraging better coordination of care and higher quality. Given its importance, I wanted to share some highlights from the hearing with you.

A key theme was the need to include a public health insurance plan in health reform to help drive change in the delivery system. Reforming the way we deliver health care is the key to reducing costs and improving quality. A public health insurance plan is critical because it can speed the adoption of delivery system changes and simultaneously encourage private plans to emulate and innovate.

Witnesses before the Committee included:

- Glenn M. Hackbarth, *Chairman, Medicare Payment Advisory Commission;*
- Elliott S. Fisher, M.D., MPH, *Director, Population Health and Policy, The Dartmouth Institute for Health Policy and Clinical Practice;*
- Robert A. Berenson, M.D., *Senior Fellow, The Urban Institute.*

During the hearing, Dr. Berenson discussed the importance of a public health insurance plan that could help enact delivery reforms and control costs:

"I would like to emphasize the importance of permitting individuals satisfied with their private insurance plan to stay with them in health reform. It is also important in my opinion to have a public plan—patterned on Medicare but separate from it—as an option for those seeking care. Some would restrict the ability of a public plan to control costs by altering prices in payment schedules. However, differentiating so-called 'price controls' from all the other tools a value-based purchaser—public or private—would use is both arbitrary and unworkable because, in practice, pricing services is inextricably linked to the other approaches recommended."

To view Dr. Berenson's opening statement, please visit:
<http://www.youtube.com/watch?v=EUZcDP4xGL0>

Dr. Fisher also discussed the role that Medicare can play in reforming the delivery system, and how a public plan can play a constructive role:

"Medicare has a very important opportunity to lead because of its size within the country, and I think many of the innovations that are already underway within Medicare around value-based purchasing and around demonstrations on pay-for-performance give them powerful leverage to help us learn how to do better. On the public plan question, I think if Medicare and the public plan start to adopt the kind of careful payment reforms that we all need to improve the efficiency of care, that could enhance competition."

To view Dr. Fisher and Dr. Berenson discussing the role of Medicare and a public plan in enacting health delivery reforms, please visit:
<http://www.youtube.com/watch?v=d4Spzjw0jvs>

Glenn Hackbarth, chair of the Medicare Payment Advisory Commission (MedPAC), rebutted Republican arguments that low Medicare rates result in a “cost shift” that raises private health insurance premiums:

“If [hospitals] have the ability to compel private payers to pay more, there is no reason to believe that if Medicare were to increase its rates that they would reduce the amount they charge to private payers. They have market power. They have leverage in the negotiation. For-profit hospitals exist to maximize profits, not-for-profit hospitals exist to maximize revenues so that they can provide more services.”

To view Glenn Hackbarth discussing the cost-shift argument, please visit:
<http://www.youtube.com/watch?v=23y0RNE-AWc>

Over the next few months we will continue to hear from experts – such as our witnesses at this hearing – who will be crucial to informing the Committee’s goals in changing the health care delivery system to ensure high quality, affordable health care.

For more information on this hearing, please visit:
<http://waysandmeans.house.gov/hearings.asp?formmode=detail&hearing=670>

Sincerely,
Pete Stark
Chairman
Committee on Ways and Means
Subcommittee on Health