

U.S. Senator Ron Wyden

Prepared Testimony Before the

Senate Budget Committee

**Hearing, “Health Care and the Budget: The Healthy
Americans Act and Other Options for Reform”**

June 26, 2007

Mr. Chairman and Members of the Committee, I welcome the opportunity to testify before you today on S. 334, “The Healthy Americans Act” and look forward to hearing from my co-sponsor and the panel of national experts gathered here today. Mr. Chairman, I wish to particularly thank you for your leadership in turning this committee’s attention to the challenges in our health care system, as well as for arranging the opportunity to hear from the co-sponsors and experts concerning this proposal today.

As you may know, this is the first comprehensive, bipartisan Congressional proposal to overhaul the health care system in nearly fifteen years. This is also the first Congressional hearing on a piece of comprehensive health care reform legislation since 1994. During the intervening thirteen years, Americans have seen their health coverage grow more expensive and less secure. While the U.S. system affords many Americans access to cutting edge technologies and cures, it faces several serious challenges. The problem can be summed up with three “c’s” of Cost, Coverage and quality of Care.

Our proposal contains the tools to tackle each of these difficulties head-on. The Healthy Americans Act holds down growth in health care costs, covers every American and improves care with a new emphasis on prevention and wellness.

The U.S. currently spends \$2.3 trillion—over 15% of our GDP—on health care and these expenditures are projected to reach 20% by 2016. The U.S. spends well above other OECD countries, including those countries whose systems include a significant role for private health insurance, such as in Switzerland, the Netherlands and Germany, who spend 11.6%, 9.2% and 10.9% of their respective GDPs on health care. In last week’s testimony, Congressional Budget Office Director, Dr. Peter Orszag, testified before this Committee. The CBO Director underscored the need to act broadly-- the U.S. is only going to gain control of public health spending if policymakers find ways to address cost growth in the system in its entirety.

Despite its high price tag the system doesn’t cover 45 million Americans --an increase of 6.3 million non-elderly adults from 2000. If you look back 2 decades, to 1988, we see that the number of uninsured has grown by about 14 million, from 31.1 million in 1988. Why this coverage decline? Rising costs clearly play a role in this as they make it harder for employers to offer, and for individuals to buy, health care coverage.

Both parts of the private system—the individual and employer market—are serving fewer and fewer Americans. Sixty-one percent of non-elderly Americans had employer coverage in 2004, down from 66% in 2000. The percent of firms offering health benefits to at least some employees has fallen from 69% in 2000 to 61% today. In simple terms, the employer-based system is melting like a popsicle in August. The individual market covers only 17 million non-elderly Americans—or 6.7% of the population. Less healthy Americans find it harder and harder to find coverage as insurers can “cherry-pick” who they cover in most states and also charge higher premiums to those with chronic or expensive health conditions.

Furthermore, Americans don't really have a "health care" system, but rather have a "sick care" system. Three-quarters of health expenditures go towards chronic conditions without making sufficient investment in preventing these conditions or managing them more effectively. In addition, there are a lot of avoidable medical errors and better information systems could help solve this problem.

So how can Congress help Americans improve the system? The answer to that question comes from my town meetings where I asked people what they wanted in health care. They say, "Ron, we want what you people in Congress have." Our proposal, the "Healthy Americans Act" does just that. It provides coverage for all Americans with benefits like members of Congress have *without costing more money*. It even saves money. It takes employers out of the business of providing health care coverage so that they can better compete in the global marketplace. All Americans are required to purchase an individual policy; those with low-incomes receive a sliding scale subsidy to help them buy coverage. Employers make a contribution, depending upon their size and revenue.

The Healthy Americans Act takes away some of the hidden and poorly targeted tax subsidies in the current system and distributes them more broadly across the system. Now, if you are wealthy, you can write off costs of a designer smile; if you are a minimum wage worker working at a corner furniture store, you get nothing. Employer plans receive generous federal tax benefits—irrespective of whether they provide "barebones," minimal coverage, or an extremely generous "Cadillac" package.

The Lewin Group, an independent non-partisan health care consulting group that is the "gold standard" in its field, has analyzed the proposal and found that it is possible to provide that guarantee for the \$2.3 trillion now spent annually and even save \$4.5 billion in health spending the first year and almost \$1.5 trillion over the next decade. The Lewin Group also studied the Act for the Commonwealth Fund and found that under our proposal, family health spending would decline by \$78.8 billion—with the greatest reduction in spending benefiting lower and moderate income households.

It should be of particular interest to the Budget Committee that our plan is the first health reform proposal to lower the rate of growth in health spending. Lowering health spending will help keep down costs of Federal entitlement programs which are currently projected to skyrocket in the coming decades. If health care costs continued growing at the same rate over the next four decades as they did over the past four decades, CBO estimates that federal spending on Medicare and Medicaid alone would rise to about 20 percent of gross domestic product (GDP) by 2050—roughly the share of the economy now accounted for by the entire federal budget.

The savings in our plan come from changes that make the system more efficient and equitable: 1) tax code changes; 2) administrative savings; 3) making insurers compete on price, benefits and quality; 4) disproportionate share costs for hospitals; and 5) making care for the poor more efficient—instead of running a separate health care system for low income people, they would have private insurance policies with Medicaid as a wrap-around.

Under the Healthy Americans Act, public programs would no longer provide health coverage for low-income people. With most low-income people getting private insurance coverage instead of being in government programs, the bureaucracies that administer these programs can be eliminated or substantially reduced, which means savings to the taxpayers.

Our bill also puts a special emphasis on creating a new culture of wellness and addresses the fact that America doesn't have health care at all -- we have sick care. A prime example is Medicare. Medicare will spend thousands of dollars under Part A for senior citizens' hospital bills and virtually nothing under Part B for prevention to keep people well. The Healthy Americans Act creates incentives for seniors to take proactive steps to improve their health by giving them a break on their Part B premiums if they lower their blood pressure, cholesterol, stop smoking or improve their health in other ways. Over time, this emphasis on preventive care will help hold down costs by lessening the need for more costly hospital treatment.

The Healthy Americans Act does borrow some elements from other countries that provide universal coverage while dipping less into their GDP than the U.S. No one country has a system that the U.S. could or should "import" to help solve its health care woes. Germany requires both employers and employees to contribute to their health care coverage---so does the Healthy Americans Act. In Switzerland, each person must buy a private individual health insurance policy--our proposal requires this as well. Switzerland and the Netherlands impose rules to ensure that private insurers cannot "cherry-pick" and compete based upon their benefits, quality and price—the Healthy Americans Act does this as well.

The Healthy Americans Act provides a uniquely American solution AND reflects the fact that both Republicans and Democrats had it right. Republicans had it right that the government shouldn't run all of health care and so the Act continues to have the private insurance market play an important role. Democrats were right that the system needs to cover everyone, both from a moral perspective, as well as to avoid the kind of cost-shifting and productivity losses caused by uninsurance. I hope that this hearing marks the beginning of a concerted action to move forward on comprehensive reform during this Congress. Thank you again for this opportunity.