

**Testimony Before
The Senate Special Committee on Health Care Reform
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For the record, my name is John Kitzhaber. I am here today representing the Archimedes Movement – a coalition of thousands of Oregonians who have committed themselves to creating a vehicle through which the growing concern over the U.S. health care system can be channeled into effective action. I appreciate the opportunity to appear before you today to briefly discuss the Oregon Better Health Act.



To understand what we are trying to do, let me refer you to a recent op-ed piece in the Los Angeles Times by Ezra Klein who wrote: “The realization that our illogical, mistaken health care system can’t go on forever has dawned, and so it will end. The question now is what replaces it.”



The Archimedes Movement is committed to answering exactly this question through a thoughtful, deliberate and inclusive process which has been underway for almost a year. Our objective is to create a shared vision – a space where we can ask “If anything were possible” what would a better health care system look like? We then want to use this vision to initiate an honest reevaluation of the underlying structure of the current U.S. system and to offer an alternative with which to replace it.



This shared vision is reflected in the Oregon Better Health Act which was submitted to Legislative Council on January 19 to be drafted and assigned a bill number. The Oregon Better Health Act is the product of a remarkable process of engagement involving physicians, nurses, hospital executives, insurance and health plan executives, employers, organized labor, people on Medicare, including representatives from AARP, and over 3,500 individual consumers from all across Oregon. You can learn more about this process by visiting our website www.WeCanDoBetter.org which is dedicated to building support for the Oregon Better Health Act.



Since this committee is charged with reviewing a number of health care reform proposals – in addition to this one -- let me offer several general observations to help inform your deliberations before I turn to the Oregon Better Health Act itself.

First, if we cannot control the costs in the health care system we have not accomplished anything. Or, to put in another way, without controlling cost, expanding access by covering more people is not sustainable.

To control costs a number of issues have to be addressed. First, we must be willing to reexamine the underlying structure of the U.S. healthcare system through the lens of the 21st century.

For example, any state reform effort that ignores the economic and demographic implications of the Medicare program as it is currently structured cannot possibly be economically sustainable over time. In 2004, Medicare accounted for 8 percent of all federal income taxes. This is estimated to rise to 19 percent in 2015, 32 percent in 2025. Medicare's total unfunded liability is estimated at over \$65 trillion. Not only does this cast a dark shadow over our children's financial future, it clearly is not sustainable.

In addition, the relationship between Medicare and Medicaid in the current federal structure will dramatically increase state costs as the population ages because Medicaid pays for services not covered by Medicare – most notably the long term care often associated with chronic conditions. Today, these “dual eligibles” – seniors whose care is being financed by the Medicaid program – account for only 14 percent of enrollment but over 40 percent of program cost. As the population ages, and the incidence of chronic conditions increases the number of those with “dual eligibility” will go up substantially, shifting a huge financial burden to states.

My point is we cannot achieve sustainable universal access at the state level without also changing the outdated federal structure within which state reform efforts must take place.

Second, we need to rethink how we define a health “benefit” in terms of the health produced, and; restructure the inefficient system and perverse financial incentives through which health care is delivered today.

In other words, as long as we continue to define the health care crisis narrowly as just an insurance problem (which is essentially what has taken place in both Massachusetts and California) we will fail in our effort to create a more equitable and sustainable system. Getting everyone covered without answering the key question of “covered for what?” will not control costs. Nor will coupling an innovative financing scheme to an economically unsustainable delivery system.

The Oregon Better Health Act seeks to address all of these key elements which underlie medical cost inflation:

- It ensures that all Oregonians will have access to a “core benefit” of essential health services;
- It explicitly defines this core benefit through a transparent process which prioritizes health services based on their relative effectiveness in producing health;
- It seeks to realign financial incentives to ensure fair and reasonable payment to providers, value-based cost sharing for consumers, and the transition to a more efficient delivery system; and
- It squarely confronts the underlying federal structure which must be reconsidered and modified in light of the realities of today if we hope to control cost and create a

system that is both fair and economically sustainable.

The Oregon Better Health Act does not, in itself, implement a new system but rather sets up a transparent process through which Oregonians can do so themselves. No changes to Medicaid, Medicare or the current structure of employer sponsored health coverage will be made until Oregonians have had an opportunity to review them, comment on them and to compare the proposed new system with the current system. Through this process, the Oregon Better Health Act:

- Seeks federal authority to allocate the public dollars spent on health care in Oregon in a way which optimizes the health of Oregonians and maximizes the value of this expenditure.
- Creates a process through which the current system can be compared with a more rational, equitable, and effective way to provide health services to Oregonians.
- Explicitly defines a “core benefit” of essential health services for which all Oregonians will be eligible.
- Finances the “core benefit” from a pool of public funds to which all Oregonians will equitably contribute.
- Ensures that the “core benefit” will be portable and not tied to employment, relieving employers and employees of this cost while still leaving them free to offer and purchase secondary insurance for additional services.
- Establishes a process through which the adequacy of the “core benefit” can be publicly debated and agreed upon.
- Realigns financial incentives to ensure the transition to a more efficient delivery system.
- Creates a process through which we can begin to define the benefit; identify the changes that will be needed in the delivery system; and develop a transition plan, even as the debate over gaining federal authority moves forward.
- Ensures that Oregonians are free to buy additional health services not included in the “core benefit” using their own after-tax dollars.
- Creates a process whereby the general public, employers, employees, senior citizens, and health care providers have an opportunity to compare the new system with the current system before we move forward with implementation.

Let me make it clear that the intent of this proposal is not to eliminate employer participation in our health care system but simply to recognize that employer sponsored coverage as it is currently structured is eroding at over four percent a year largely because of the fact that this structure makes much less sense now than it did when the economic forces and incentives that created it were put in place over 50 years ago. The Oregon Better Health Act gives us the opportunity to rethink this structure in light of the realities of a highly competitive global economy, the increased mobility of the workforce, and the changing structure of the workplace.

It is also the intent of this proposal to ensure that the medical and health needs of the blind and those with other disabilities and special needs are met with quality services, delivered in a timely and cost-effective manner. At the same time however, the Oregon

Better Health Act challenges the complex administrative process of assigning equally impoverished groups of Oregonians into dozens of different eligibility categories to determine how their care will be financed; and seeks to eliminate the need for a special program for the poor by ensuring that all Oregonians have access to at least the same defined set of essential health services.

Finally, it is the intent of this Act to reconsider the current structure of the Medicare program, not to dismantle it; and to rethink that structure in light of the huge demographic trends and advances in medical technology that have taken place since it was created in 1965. The Oregon Better Health Act gives us the opportunity to identify the medical and health needs of an aging population and to ensure that those needs are met with quality services, delivered in a timely and cost-effective manner; and to balance those needs with the needs of the non-elderly in an equitable and sustainable way.

In conclusion let me say that I do not believe that the Oregon Better Health Act is incompatible with many of the various proposals that this committee will consider, including: the recommendations of the Interim Committee on Health Care Affordability and Access; the proposal being put forth by the Governor and Senator Monnes Anderson to expand coverage to children; and the recommendations of the Oregon Health Policy Commission. In addition, the OBC proposal also represents an excellent piece of work and a valuable contribution to the health care debate here in Oregon. I embrace its premises and principles and believe that we should proceed to move forward with its major recommendations.

At the same time, however, the Archimedes Movement believes that we need to provide a larger context in which these incremental steps can take place. We cannot allow our thinking and our reform efforts to be constrained by an antiquated federal financing and eligibility structure that shackles us the middle of the last century; nor can we afford to define this challenge narrowly as simply an insurance problem, leaving unchallenged the definition of a health benefit and the inefficient system through which health care is currently delivered.

William Jennings Bryan once wrote: "Destiny is not a matter of chance, it is a matter of choice; it is not a thing to be waited for, it is a thing to be achieved." We have the opportunity here to choose our destiny; to shape our own future: to address not only the short term problems of access here in Oregon but also to set in motion a wave of energy and daring which can transform the U.S. health care system into one that is fair, that is sustainable and one that improves the health of the American people. The choice is ours.