State of the Nation's Health Care 2012

Oral Remarks
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Thank you, Dr. Hood, for your clear statement on the progress and challenges facing health care in the United States, the danger posed by unwise budget cuts, and ACP's ideas for a better approach.

I am pleased to give you more detail about today's report. (For those of you who have a visual connection on your computer or mobile devices, my remarks will be accompanied by slides to illustrate key points. For those listening in, I will make sure to summarize them in my remarks. All of the slides, and the other materials that I reference, are available on our website.)

As Dr. Hood noted, health care in the year 2012 is a story of progress and challenges.

[Slide # 2]

- Health care spending increases were the lowest in 50 years, continuing an 8-year trend.
- But we aren't out of the woods yet: spending reached an all-time high last year, and is projected to continue to increase at a rate that the country can't afford.
- Fewer people are dying from the leading causes of death, yet millions still have inadequate access and quality.
- Millions of seniors, young adults, and children with pre-existing conditions are benefiting from the Affordable Care yet, yet 46 million Americans reported that they went without health insurance, and many of them delayed getting needed care.
- The number of clinicians receiving scholarships or loan repayment from the National Health Services Corp nearly tripled, resulting in huge gains in access to care in under-served communities, yet the country still faces a shortage of more than 40,000 primary care physicians.

And, as Dr. Hood mentioned—and I will come back to in a few moments—this progress is at risk of being reversed by unwise budget cuts.

Of all of these challenges, health care spending may be the biggest one.

[Slide #3]

As this slide shows, despite the slow-down in annual health care spending growth, health care will continue to consume a larger share of the economy, driven both by demographics—more elderly people—and "excess costs" that can't be explained by demographics alone.

So we all need to be concerned about spending on health care. The question is: what should we do about it?

In ACP's view, there is a wrong way and a right way.

[Slide # 4]

The WRONG way is to continue what Washington and many state governments have done.

- Make deep cuts in essential public health and safety, access, and primary care workforce programs—cuts that will harm health and increase future costs.

- Even worse, cut the most effective and highest priority programs by the same percentage as the least effective and lowest priority programs.

The RIGHT way is to prioritize budget decisions based on importance and effectiveness.

And to make real reforms to address the real cost-drivers in health care.

Here are some examples from our report on the WRONG ways to reduce spending.

[Slide # 5]

- Forty states have reduced funding for programs to protect public health and safety, eliminating 49,000 jobs.

    - *Talk about job-killing policies that go after the very people we count on to keep us safe and healthy!*

- Federal funding to prepare us for health emergencies or bioterrorism has been slashed by 38 percent over the past seven years.

    - *Do we really need another Katrina to remind us of how important it is to fund disaster preparedness?*

[Slide # 6]

Cuts in Medicaid are making it harder for poorer Americans to get needed health care.

- 18 states have reduced Medicaid benefits.

- 39 states restricted Medicaid payments to physicians and other providers, and 46 states plan to do so in FY 2012.

- Over the past two years, 19 states increased the amount that patients have to pay out of their own pockets for health care.

Also, health insurance doesn't guarantee access if you can't find a physician. Yet at a time when the United States is facing as huge shortage of primary care doctors, cuts are being made in critical programs to help train more doctors.

[Slide # 7]

- The National Health Services Corps has lost ALL of its discretionary funding. Although the Corps continues to have a source of mandated funding under the Affordable Care Act, the loss of discretionary funding will reduce the number of Corps clinicians by about 1,100 this year.

- A commission established to study health care workforce and barriers to primary care can't even meet because Congress won't fund it.

- And a grant program to medical schools to support primary care training received flat funding, even as the need to train more primary care physicians grows.

Such cuts would be bad enough, but the worst is yet to come. Because of the failure of Congress' Super-Committee, $1.2 trillion in across-the-board cuts—called sequestration—will go into effect in January of next year.

[Slide # 8]

Sequestration will result in all non-exempt domestic programs being cut by 7.8 percent next year, and defense being cut by 10 percent. These same programs will be cut year after year, for the rest of the decade.

This is how it will work.

[Slide # 9]

Each and every year, about $55 billion will be taken out of domestic programs, and the same out of defense.

In fiscal year 2013, discretionary spending will receive uniform percentage cuts to achieve the required savings.

In the following years, Congress will have to abide by a lower enforceable cap on total discretionary spending.

Medicare payments to physicians, hospitals and other providers will be cut 2 percent each year, although in the case of doctors, this will be in addition to scheduled cuts from Medicare's Sustainable Growth Rate (SGR) formula.

[Slide # 10].

The sequestration cuts will do great harm to the agencies responsible for public health and safety, access, medical research, and physician workforce, including the Centers for Disease Control and Prevention, Food and Drug Administration, Health Resources and Services Administration, Agency for Healthcare Research and Quality, and the National Institutes of Health.

They must not be allowed to stand.

Now, ACP understands that it is not credible for us to simply come out swinging against unwise budget cuts. We have to have a credible alternative.

We do.

[Slide #11]

In today's report, we propose a fiscally and socially responsible alternative that can achieve hundreds of billions in savings by addressing the real cost drivers in health.

[Slide # 12]

Our alternative has five specific recommendations.

One, repeal the Medicare Sustainable Growth Rate and transition to new patient-centered payment models.

Two, reduce the costs of defensive medicine.

Three, promote high-value, cost-conscious care.

Four, make structural entitlement reforms to use resources more effectively, AND

Five, reform federal tax policies so consumers become more aware of the costs of health benefits.

On Medicare physician payment reform:

[Slide # 13]

We advocate that Congress reallocate Oversees Contingency Operations (OCO) funds to repeal the SGR. Once the SGR is eliminated, Congress should enact legislation that:

- provides stable updates to physicians for at least five years, with higher updates for primary care services

- mandates broad dissemination and evaluation of new payment models, and creates a clear pathway and timetable for physicians to transition to the new models.

Some may question why we believe that OCO funds, which on paper have been set aside to fund operations in Afghanistan and Iraq, should be used to pay for repeal of the SGR. Actually, it's simpler than it sounds.

[Slide # 14]

The OCO funds will never be spent, because the United States has ended its operations in Iraq and will be winding down operations in Afghanistan. Yet the Congressional Budget Office assumes that those monies will be spent, because it can't do otherwise unless Congress passes a bill to eliminate or reallocate the OCO funds.

The CBO also assumes budget savings resulting from cuts to doctors from the SGR, even though Congress has made it clear that it will not allow the cuts to happen.

So using the OCO funds to pay for SGR repeal will correct assumptions of continued spending (from the OCO funds) on Afghanistan and Iraq *that will never be spent,*

and expected savings (from SGR pay cuts to doctors) *that will never take place,*

cancelling out each other and *producing a more honest and accurate budget.*

It will also prevent *future* and *deeper* cuts that will cost hundreds of billions of dollars more to offset.

And it will allow Congress to get rid of the SGR, once and for all, without budget offsets affecting other health care providers and/or Medicare enrollees.

Another way to achieve substantial savings is to enact real reforms to reduce the costs of defensive medicine.

[Slide #15]

These should include reforms, likes caps on non-economic damages and limits on contingency fees, which have been in effect for decades in states like California and proven to be highly effective.

We also think that it is time for Congress and the administration to explore entirely new ways of thinking about tort reform.

One would be to authorize a national pilot of no-fault health courts, so that malpractice claims would be heard by expert judges rather than lay juries. Health courts were endorsed in the bipartisan Simpson-Bowles fiscal commission report.

Promotion of high-value care is another way to achieve savings while at the same time improving health and patient safety.

[Slide # 16]

ACP's own High-Value, Cost-Conscious Care Initiative provides evidence-based guidelines to physicians and patients on providing care of high value while reducing unnecessary, low-value care.

We can't do it alone, though, so today, we are calling for the establishment of a multi-stakeholder initiative to develop recommendations to reduce the estimated $700 billion spent each year on wasteful and ineffective care.

We also call for structural changes in Medicare.

[Slide # 17]

Our recommendations include allowing the federal government to negotiate drug prices, creating a single deductible for Medicare Parts A and B, ensuring accurate pricing of physician services, requiring all payers to contribute to Graduate Medical Education, and allowing Medicare to consider comparative effectiveness in coverage decisions.

Finally, ACP's alternative includes changes in federal tax policies on health insurance benefits.

[Slide # 18]

We believe that Congress should consider modifying or accelerating the tax on "Cadillac" insurance plans included in the ACA. Alternatively, Congress should consider establishing a cap on the amount of health insurance premium costs that are tax deductible to an individual taxpayer, provided that the cap is set at a level that covers the cost of essential benefits, including preventive services. Such a cap would encourage consumers to consider cost in the selection of higher cost insurance plans.

[Slide # 19]

Many of ACP's ideas for reducing health care costs in a fiscally and socially responsible way have been embraced by bipartisan groups in their plans to reduce the federal deficit, including the Simpson-Bowles Commission and the Rivlin-Domenici Bipartisan Policy Center report.

Regrettably, though, a broken political culture that demands confrontation over compromise has made it impossible for Congress to achieve agreement on such common-sense, common-ground approaches. Too often, intriguing ideas from all sides are subjected to misleading attacks in order to score political points.

[Slide # 20]

The 2012 elections likely will result in even more inflammatory and misleading rhetorical attacks intended to fire up voters—causing even more cynicism, polarization, and lack of confidence in the ability of elected governments to deal responsibly with health care.

Unless, that is, voters demand more from the candidates. To this end, ACP has proposed questions that we believe voters should demand of the people running for President or Congress.

[Slide # 21]

Voters should ask the following of the Republican candidates for President and Congress:

One, if the ACA is to be repealed, are there any policies authorized by the law that you would maintain? (Our written report asks them to identify specific provisions that they might keep or replace.)

Two, how would you increase access to health insurance, address the shortage of primary care physicians, and reduce costs? (Our written report asks them about several specific polices.)

Three, if states are to be responsible for ensuring access instead of the federal government, how would you address unequal resources and the considerable variation among states that now exists in the percentage of residents with health insurance?

[Slide # 22]

Voters should ask the following of President Obama and Democratic candidates for Congress:

One, what changes would you consider making in the ACA, to address concerns that it gives the federal government too big a role and that it doesn't do enough to reduce costs? (Our written report asks for answers about specific parts of the law that some believe should be changed.)

Two, what specific policies would you advocate to reform Medicare and Medicaid in order to sustain their financing and reduce their impact on increasing the deficit and debt? (Our written report asks for answers on specific proposals to reduce entitlement spending.)

Three, what specific policies would you support to reduce the costs of defensive medicine?

Getting answers to such questions from Republicans and Democrats will not, by itself, fix our broken politics, but it should help voters discern the critical issues at stake in this election.

In conclusion, today's State of the Nation's Health Care report shows the progress being made to improve access and reduce costs.

But it also shows that enormous challenges remain, especially in continuing to drive down the rate of increase in health care spending.

It argues that cuts that damage essential health programs must not be allowed to stand.

It offers an alternative framework for achieving savings that addresses the real cost drivers in medicine.

And it calls on all of us to reject our broken politics and demand REAL answers and REAL solutions from the candidates.

What is at stake if we don't find a better way? I think this last slide says it all:

[Slide # 23]

"Because of budget cuts, the light at the end of the tunnel is being turned off."

ACP believes we all have an obligation to keep the light shining so we can find our way to a better health care system for all Americans.

Dr. Hood and I would be glad to take your questions.