

Statement of Michael B. Enzi

Introduction of “Ten Steps to Transform Health Care in America”

July 12, 2007

Mr. President, I rise today to talk about an issue literally a heartbeat away from devastating the lives of every American – our current health care crisis. Undeniably, we have a problem - 46.1 million Americans are uninsured. Health costs are outstripping inflation, increasing annually by three times that of the consumer price index. It's little surprise that three in every four Americans are concerned about health care.

Employer-provided health insurance is voluntary and in critical condition. Sixty percent of the country's employers offer insurance today, but that is down nine percent from a few years ago. This is partly due to the fact that the cost of health insurance for companies has nearly doubled in the same period—with employers expected to pay over \$8000 per employee, versus \$4000 five years ago.

We have no choice but to stabilize this system and provide more options for businesses so they can continue to provide health care for their employees. We must also provide real options for those without employer-based health care.

My own home state of Wyoming is hard hit. On average, one in five Wyoming residents is uninsured, and more and more residents are losing what coverage they do have. This is largely due to the fact that much of Wyoming's economy is based on small businesses - nearly 70 percent of Wyoming employers - who find it nearly impossible to afford health care coverage for their employees.

Thankfully I'm not here today to just talk about these problems. I'm here to provide real solutions. Americans need and deserve real solutions to this crisis now.

The time has come to move beyond the rhetoric and principles to true, comprehensive health care reform. Congress must enact 10 major steps for health care reform. These ten steps are the basis of legislation I am introducing today – “Ten Steps to Transform Health Care in America” or simply “Ten Steps”.

In putting together these Ten Steps, I first wanted to understand the problem, and all the proposals others have been discussing. I've studied those other proposals very carefully, and you will find that I have included many of the key concepts of those other proposals in the Ten Steps. I particularly want to recognize and thank Senators Baucus, Kennedy, Nelson, Coburn, Lott, DeMint, McConnell, Whitehouse, Lincoln, Carper, Salazaar, and Durbin, Congressman McCrery, and the President and Administration for their contributions. However, to truly do this right, we must move beyond the usual jurisdictional issues, beyond the usual reauthorizations of one, single program. We must examine the whole health care system and together we must put forward a bold and comprehensive solution that addresses our health care crisis. That's what the Ten Steps does – it is a comprehensive solution to a very big problem.

First, we must eliminate unfair tax treatment of health insurance, expanding choices and coverage and giving all Americans more control over their own health care. Our current health insurance system is biased toward employer-based coverage due to a historical accident. The wage controls of World War II increased competition among employers for recruiting the best employees and incentivized employers to offer health benefits instead of

increased wages. In 1954, Congress codified a provision declaring that such a contribution would not count as taxable income. This tax policy made it very favorable for individuals to get their health benefits through their employers and consequently has penalized individuals that get coverage through the individual market.

The Joint Committee on Taxation estimated that removing this tax bias and a few related health care tax policies will save the federal government \$3.6 trillion over the next ten years. That is a lot of money that can and should be used to expand choices and access and give individuals more control over their health care. Ten Steps ensures every American can benefit from this savings—whether they get their health care from their employer, from the individual insurance market, or they decide they want to get off Medicaid and switch to private insurance.

Let me be clear: My goal is not to erode employer-based health insurance, given that Ten Steps does not alter the way that employers treat health insurance. Rather, I want to provide more options for individuals who don't currently have insurance through their employer. Everyone should be treated equally.

Once the employee exclusion for health care insurance is eliminated, we must provide additional tax incentives for the purchase of health care insurance. Ten Steps is a hybrid approach, combining both a standard deduction for health insurance with a tax subsidy for those who most need it. That way, no particular population is adversely affected.

The second step of Ten Steps would increase affordable options for working families to purchase health insurance through a standard tax deduction. The national, above-the-line Standard Deduction for Health Insurance will equal \$15,000 for a family and \$7,500 for an individual. I want to also note that the Earned Income Tax Credit (EITC) for taxpayers with

qualifying children is held harmless so those receiving the EITC now will not be affected by these changes.

Let's say for example that Bob from Gillette, WY has total compensation of \$38,000 made up of \$34,000 in wages and \$4,000 in health insurance premiums paid by his employer. Because of the current unfair tax treatment of premiums, Bob's current taxable income is reduced to \$34,000 which means he paid about \$5000 in taxes.

Under Ten Steps, which eliminates the exclusion of premiums from tax, Bob's total compensation and thus taxable income would be \$38,000. By providing Bob with a \$7500 Standard Deduction for Health Insurance, his taxable income under this bill would be lowered to \$30,500 which means he would pay about \$4000 in taxes. Bob's total savings under this proposal is \$1000 a year.

The third step of Ten Steps is what makes this a hybrid approach – I couple the standard deduction with a refundable, advanceable, assignable tax-based subsidy. Now that's a mouthful, but it ensures that Americans receive this credit in a meaningful way that allows them to purchase real health insurance coverage.

Given that everyone may not be familiar with these terms, I would like to explain them. As a refundable credit, it benefits folks even if they don't have tax liability. This really helps low-income individuals. Advanceable means the subsidy would be paid at the beginning of the year so individuals can use the funds to immediately purchase health insurance. If it wasn't advanceable, individuals would need to first pay for their health insurance and then get money at the end of the year to pay them back for that purchase. To encourage everyone to obtain health insurance right away, we should provide those funds up front. Further, to ensure that the subsidy goes toward the purchase of health care insurance,

it is also assignable – paid directly from the Internal Revenue Service to the insurance carrier the individual chooses.

Ten Steps includes a tax subsidy equal to \$5,000 for a family, \$2,500 for an individual. The full subsidy amount is available to individuals at or below 100 percent of the Federal Poverty Level (FPL), which is \$20,650 for a family of four. The subsidy is phased out between up to 300 percent of FPL, with individuals at 200 percent receiving half of the subsidy and individuals at 301 percent receiving the standard deduction instead of the subsidy.

The fourth key step for health care reform is to provide market-based pooling to reduce growing health care costs and increase access not only for small businesses, unions, other kinds of organizations, and their workers, members, and families. Those of you who know me well recognize how central this would be to any health care reform proposal of mine.

While I have not yet re-introduced the small business health plan legislation from last year, I have not abandoned those key principles. Every day, emergency rooms treat more than 30 thousand uninsured Americans who work for or depend on small businesses. That's at least 30 thousand reasons why I will not abandon this concept. However, in the proposal I am introducing, I have addressed some of the criticisms of that bill, and I have offered what I believe are appropriate solutions.

For instance, while the earlier bill focused heavily on small businesses (and this one still does), it simply became clear that other organizations, including unions and churches can benefit from better pooling options. Therefore, under this bill, the umbrella of the pooling

option has been expanded to include more kinds of organizations but with the same strong focus on consumer protections and state-based oversight.

Of course, a big elephant in the room was dealing with those who were misled to fear how the initial proposal dealt with insurance mandates. I hope that those who were so vocal before will pause this time around. By incorporating what many have described as the Snowe amendment, the legislation would require benefit mandate categories if a majority of the States required them. While I still have some concerns, I am comfortable with this compromise because the mandate requirement is coupled with something that it needs to encourage pooling – a common definition of what that mandate means.

As I learned with the previous debate, mandates for many different services and items are not consistent from State to State. Thus, if we are to discuss requiring those, we should at least have a consistent definition of what those mandates require. We should not further complicate the pooling option with a multitude of definitions.

While the next step is probably one of the most obvious ones, it is also one that many have not yet discussed. Currently, HIPAA portability protections are provided to group health plans. The protections provide assurances to consumers that insurers will deal with pre-existing conditions fairly and provide coverage (even to small groups).

These protections have been a great help for individuals purchasing health care coverage in the group market. However, those consumer protections are not provided nearly as well to individuals who are purchasing in the individual market. Ten Steps blends the individual and group market to extend important HIPAA portability protections to the individual market so that insurance security can better move with you from job to job.

The sixth step emphasizes preventive benefits and help individuals with chronic diseases better manage their health. America should have health care, not sick care! Prevention. Prevention. Prevention.

We have all been discussing the need to do more to prevent disease, not just treat its symptoms. Even though I leave much to the market to define some health insurance components, the one thing we must emphasize is the need for prevention. Any plan purchased with the tax subsidy must include basic preventive services and a medical self-management component.

This concept is modeled after a very successful program in Wyoming. In 2005, Wyoming EqualityCare, our Medicaid program, began providing one-on-one case management for Medicaid participants with a chronic illness, such as diabetes, asthma, depression, and heart disease, to encourage better self-management of these conditions. The program provides educational information on self-management as well as a nurse health coach that follows up with each patient to ensure they have what they need to take care of themselves.

In addition, EqualityCare provides a nursing hotline so all patients have a direct line to a health care provider when they are concerned about an illness. These programs targeting those with chronic illness were estimated to save nearly \$13 million for the EqualityCare program in 2006, particularly because it cut down on inappropriate use of emergency room services.

Another key step of Ten Steps for health care reform is to give individuals the choice to convert the value of their Medicaid and SCHIP program benefits into private health insurance, putting them in control of their health care, not the Federal government. The

rationale for this step is simple. If the market can provide better coverage at a lower price, then why not allow Americans to access that care?

This gives low-income individuals more options about where they receive their care and what care is available to them. Some providers don't see Medicaid and SCHIP patients. This provision will change that by letting the market forces work and give all patients more choices. It's time for people to start making decisions about their care – let's get the government out of the doctor's office.

About six thousand kids are enrolled in the Wyoming SCHIP program. An additional six thousand kids are eligible for the program, but they aren't enrolled. I wonder why this is. Maybe it is because folks in Wyoming are wary about accepting government help, and they think there is negative stigma associated with SCHIP and Medicaid. Well, under Ten Steps, they can use that money to purchase health care insurance through the private sector so that their family can obtain the high quality care they need and deserve.

The eighth step in Ten Steps is a bipartisan proposal which the HELP Committee approved last month -- the "Wired for Health Care Quality Act." This bill will encourage the adoption of cutting-edge-information technologies in health care to improve patient care, reduce medical errors and cut health care costs. Some of the most serious challenges facing healthcare today—medical errors, inconsistent quality, and rising costs—can be addressed through the effective application of available health information technology linking all elements of the health care system.

The widespread use of health IT can save lives. If someone is traveling and gets in a car wreck or gets hurt in some other way, the emergency room doctor would be able to find out everything he or she needs to know to make the right treatment decisions.

Better use of health IT would also allow medical data to move with people as they move. When someone goes to the doctor's office, he or she won't have to take the clipboard and write down everything they can remember about themselves.

Beyond saving lives and saving time, more effective use of health IT also could save us a lot of money. A Rand study suggested that health IT has the potential to save \$162 billion a year. In order for these savings to be realized, we must create an infrastructure for interoperability.

Doctors, hospitals, health care advocates, and the business community – including small business – are clamoring for Congress to take action and establish uniform health IT standards. Time is of the essence – if Congress does not act, our health care system will move forward in a highly inefficient, fragmented and disjointed way. Among other things, this bill will eliminate duplicative tests and reduce medical errors.

Health care reform cannot simply expand health insurance coverage. It must also expand access to actual providers of care. There are growing shortages of health care providers nationally, with a shortage of up to 200,000 primary care physicians and one million nurses expected by 2020.

That's why the ninth step of Ten Steps helps future providers and nurses pay for their education while encouraging them to serve in areas with great need with five key reforms.

First, this legislation provides competitive matching grants for states to encourage nurses to return to the profession after having left the workforce for three years or more, while reaffirming the commitment to current programs targeting nurse educators and nurse education. To deal with the shortage right now, this legislation will expand the number of non-immigrant skilled worker visa slots for nurses serving in medically underserved areas.

To expand access to those most vulnerable, Ten Steps reaffirms the commitment to current programs that are working well -- the Community Health Centers program and the loan repayment programs of the National Health Service Corps. Working together, these two programs provide key support in underserved areas.

To allow for greater access to basic health services, clarification will be made that convenient care clinics may accept and receive reimbursement for Medicaid and SCHIP patients. These convenient care clinics are small health care facilities located in retail outlets providing affordable and accessible, non-emergency health care from nurses, physician assistants, and physicians. Often open seven days a week, these clinics provide an option for those seeking routine and preventive care services in a more convenient setting with patients seen typically within 15 minutes.

Finally, building upon the successes of current rural health programs, Ten Steps will ensure appropriate development of rural health systems and access to care for residents of rural areas.

In providing access to health care, I believe it is important to envision where we would like to provide that care. Community- and home-based care is often much preferred, less costly, and proven to increase quality of life. To encourage innovative approaches to keeping long-term care in residential settings, competitive grants will be available to give seniors more options for receiving care in home or community-based settings.

The final step to Ten Steps decreases the sky-rocketing costs of health care by restoring reliability in our medical justice system through State-based solutions. The bill I have been discussing today includes the "Fair and Reliable Medical Justice Act," which I just

reintroduced with Sen. Baucus, for States to encourage early disclosure of preventable health care errors, prompt and fair compensation for injured patients, and careful analysis on patterns of health care errors to prevent future injuries. By funding demonstration projects, states are enabled to experiment with and learn from ideas leading to long-term solutions tailored to the unique circumstances of each state.

No one – not patients or health care providers – are appropriately served by our current medical litigation procedures. Right now, many patients who are hurt by negligent actions receive no compensation for their loss. Those who do, receive a mere 40 cents of every premium dollar, given the high costs of legal fees and administrative costs. That is simply a waste of medical resources. Furthermore, the likelihood and the outcomes of lawsuits and settlements bear little relation to whether or not a healthcare provider was at fault. Consequently, we are not learning from our mistakes. Rather, we are simply diverting our doctors. When someone has a medical emergency, they want to see a doctor in an operating room, not a court room.

The medical liability system is losing information that could be used to improve the practice of medicine. Although zero medical errors is an unattainable goal, the reduction of medical errors, should be the ultimate goal in medical liability reform. The Institute of Medicine in its landmark study, *To Err is Human*, estimated that preventable medical errors kill somewhere between 44,000 and 98,000 Americans each year. That study further emphasized that to improve our health care outcomes, we should no longer focus on individual situations but on the whole system of care that is failing American patients. In the eight years since that study, little progress has been made. Instead, the practice of medicine

has become more specialized and complex, while the tort system has forced more focus on individual blame than on system safety.

Mr. President, I realize that I have talked for quite a bit about Ten Steps. Given the current crisis, we should be talking a lot more about real solutions, not just problems. I also want everyone to know that I believe the introduction of the bill today is simply the first step forward. I look forward to talking to others about their thoughts on how to improve this proposal, how to better refine it so that it can better serve all Americans.

With all of that talk, I also want action – real action to provide real coverage for Americans, not a large expansion of a government program with a huge price tag that does little to impact those who are uninsured.

Mr. President, I yield the floor.