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**Health Journalism 2008-Day 3  
Future of Employee Health Benefits  
Association of Healthcare Journalists  
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**TIM RACE:** Thanks for coming. This is the Future of Employee Health Benefits and I'm really looking forward to hearing what our guests have to say. I'm Tim Race.

I'm a business editor at the New York Times involved in healthcare coverage and at least from where I sit money is such a big part of healthcare as practiced and accessed in the United States. And so much of people's access to it is dependent on the benefits they receive through their employers, if they're lucky enough to have that coverage.

And yet it's a struggle for the nations' employers to continue to provide health insurance with costs being what they are. There is a lot of political talk as you're all aware of reforming, as it's often called, reforming healthcare whatever that might mean.

And so I ask our panelists in meeting with us this morning to talk about the subject of employee health benefits, where they're going from each of their own perspectives, but also as they do, talk about the political context a little bit and sort of maybe try to answer three questions along the way about healthcare reform or healthcare changes on the political front and that would be what they like to see happen in terms of government or policy changes healthcare what they're afraid might happen and to some extent how they expect it to actually play out.

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So, we're privileged this morning to have some really influential people from the various parts of the employee health benefits arena. It's sort of the three sides to the triangle which is the employers, the employees, and also the insurers.

And so I'll quickly introduce our panelists and then I am going to let them speak in turn. They'll each speak for maybe five to seven minutes. We'll have a little conversation among ourselves to the extent that seems to be warranted and then allow plenty of time for questions from you all in the audience.

So, to my immediate right is Andrea O'Brien who is a Washington attorney with the National Health, sorry, Law Practice Venable. Andrea is the Chair Person of the Employee Compensation and Health Benefits Committee with that firm. And she'll be talking sort of specifics about how employers are looking at sort of the challenges of providing health benefits in the current economic environment.

Next we'll hear from Mary Kay Henry who will be talking more from the employee perspective. Mary Kay is the International Executive Vice President of the Service Employees International Union.

Next we'll then hear from Mary Nell Lehnhard who is Senior Vice President in the Office of Policy and Representation for the Blue Cross and Blue Shield association.

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And Mary Nell will be talking from the perspective of big insurers.

And then anchoring our relay team will be Linda Dillman who is the Executive Vice President of Risk Management and Benefits and Sustainability at WalMart stores. And Linda will be speaking from the perspective of the challenge of providing health benefits for the nation's largest employer and also a big retailer who has to cope with the economic bistratitudes [misspelled] generally.

So, with that I'll turn things over to Andrea and it really is a relay we'll use this baton and pass it along, I guess.

**ANDREA O'BRIEN, ESQ.:** Thanks, Tim. And thanks for having me here today. I think the topic is very timely for a lot of reasons. Not just because of the headlines that you all write and that we all see about the political landscape and how healthcare may be changing.

But a little bit of trivia for you as you may or may not know Wednesday is National Employee Benefits Day. Wednesday April 2 it's the fifth annual one. And it was a holiday that was created by the International Foundation for Employee Benefit Plans and the only reason I'm really telling you all that is in case you need a hook for an article.

[Laughter]

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But also you have this year if you were to go on to the Web site for the International Foundation you would see that the goal for this year's National Employee Benefits Day is promoting literacy about healthcare for employees. And helping employees understand the value of their employee benefits.

And so I thought that was just a bit of trivia. I know we're actually hosting a Happy Hour for our firm that day as a little bit of internal promotion for the ERISA Group. But in all seriousness, I think, Tim alluded to the fact that I work in a law firm and most of my clients are larger employers.

I tend to represent companies that have 100 or more employees. So, I'm definitely working the field that is the segment of the employer community that actually provides insurance for their workers.

I think if you were to look at a lot of the statistics you would see that a lot of the problem of the uninsured population tends to be with the very small entrepreneurial employers. That's not sort of the area that I am specialized in.

I did prepare a handout with just some talking points for you. It looks like this. And essentially what I tried to do when I was talking to Tim about today's panel is think about what are some of the trends or hot topics that I see day-to-day when my clients call me up. What are some of the issues that they're grappling with?

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And seasonally this is the time, actually, that a lot of my clients are trying to figure out what their health plans for 2009 are going to look like. This is the time of year when they're actually sitting down and looking at some of the numbers, figuring out how their plans are going to be designed for next year.

Because by the time they figure all that out, crunch the number and kind of get buy in from management it's the summer and then they have to tee up for open enrollment in the fall. So, I think that probably the first major trend that certainly has been in place for the last five to eight years but I really see it just continuing is kind of the notion of individual choice and accountability with health plans.

This is really some that, I think, mirrors in many ways what we've seen on the retirement side of employee benefits. For years and years folks could rely on their employers to provide them with pension plans. It was employer funded. The employers did all the work.

And, of course, we've seen a huge trend to 401k plans where individuals put their own money in for their own retirement. They make their own choices about how that money is invested. I think the same trend is something that we've been seeing in health plans a lot more choices about plan designs and options.

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I think this trend of individual choice, responsibility, and accountability really manifests itself in several ways. I see many more of my clients going toward multiple tiered programs, PPO option and HMO option, maybe a consumer driven health plan as a third alternative.

We also see many more complexities in terms of the tiers of coverage. It used to be that folks could choose between individual or employee coverage and family. Now we see individual, employee plus one, employee plus children, family coverage, domestic partner coverage, domestic partner plus dependents, a wide range so that people can pick and choose the kind of program that's going to best serve their needs.

Another situation and this just creates complexity with administration but it helps the plans become more viable are various cost sharing arrangements, different tiers of co-pays, deductibles, especially true in the last few years. We've seen a big trend most of our clients have moved away just a two tiered co-pay system, for instance, on something like prescription drugs.

You used to see a retail co-pay and retail for brand name and then one for generic. Now, it's very common to see at least three co-pays if not four, for formularies, preferred brands, non-preferred brands all of those things. As again employers remain committed to the idea of providing access to

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comprehensive coverage but they're trying to really control the costs.

I think the last piece to this trend of individual choice and accountability that I see a lot now is more traction and interest in consumer driven health plans like health reimbursement accounts which are called HRA's or health savings accounts. People were kind of weirded out by them when they were first introducing them.

Nobody got them, it was confusing, as larger employers and I mean really the very largest of employers have started to introduce them in the last few years their gaining speed because they're getting a little bit more de-mystified.

And so if you were to look at any of the surveys that are out there, the Kaiser Foundation Survey for one, as well as, another one by a California group you would see that many employers are anticipating at least offering a consumer driven health plan for 2009 or maybe 2010.

So, I think that that again is sort of indicative of this overall trend toward employee choice and accountability. The second hot topic that we see, again keeping in mind that my clients are larger employers, is real concern about the patch work of different state initiatives.

Definitely something that's happened in the last two or three years is that state legislatures which tend to be a

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little bit more nimble than Congress are trying to plug the gap of what they see are needs in terms of providing coverage.

And so from the employer's perspective that really creates another layer of complexity and cost and legal fees. Because they have to figure out if I operate in a number of states which state law applies to me, which one doesn't, what might be pre-empted by ERISA, and even if I'm pretty sure that they're going to apply to me now I'm going to have to pay my third party administrator or various insurance companies to kind of coordinate and bring all these different threads together.

I think a third trend or topic that we see and this kind of flows from that second one is concern in the larger employer community about notions of mandated coverage or government driven solutions. And this really ties into one of the points that Tim asked us to comment on which is where do we see the folks that we work with, our constituents responding to some of the legislative proposals or the candidates proposals.

Employee benefits are a cost for every company it's not a profit center. It's something that's sort of a necessary evil. People have to feel like they have to provide it because of just market forces.

There may not be a legal mandate now for coverage in most places. But nevertheless there is sort of a market

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mandate and expectation that employers provide health insurance coverage.

Well, as a result of that every VP of HR is faced with a wallet that they can spend on compensation and benefits. And a lot of empirical data is out there that shows how the percentage of that budget or that wallet has been swallowed up by healthcare costs.

Well, the more that gets spent on the healthcare costs that then have a trickledown effect which really compresses the amount of money that's then available for retirement funds, for any other kinds of incentive or option programs. And so there is only so much money to go around.

Employers have to figure out how am I going to get the biggest bang for my buck. And so there is a lot of resistance to government driven solutions or mandates that will mandates that will dictate how the employers have to spend that money.

They, I think, they remain philosophically committed to providing benefits but they want the freedom and the flexibility and the choice about how to best do that.

The fourth trend or topic that we see and this is more kind of looking forward trying to prognosticate a little bit with the declining economy is what's going to happen to the future of employee health benefits?

If the economy continues to tank there is certainly concern that there might be layoffs, reductions in force that

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will create opportunities for people to move over to Cobra. However, as you all probably know most employers subsidize pretty heavily the cost of employee health insurance cost. Most the time employees are only picking up 20 or 30-percent of the real cost for their coverage when their actively employed.

They lose their job, they get Cobra coverage. They're now being asked to pay 100-percent or 102-percent of their coverage. And many unemployed persons find that unaffordable.

Well, that could then lead to more folks being uninsured. And as an employer there is a real challenge of trying to educate your folks about the value of keeping their insurance coverage.

Not just to be paternalistic about it, making sure they have adequate coverage. But there is also a downstream implication with is something called the portability rules under HIIPA which was a law enacted in 1996.

These portability rules basically limit the negative impact of pre-existing condition limits or exclusions on a person. The HIIPA portability protections, though, only apply if you continue to be covered from one group plan to another. So, if a person doesn't exercise their Cobra right and goes without coverage for more than 63 days they're then going to be losing their portability protections.

So, that's a real concern. And that last trend I thought bore some mention because folks are reading a lot about

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it these days are wellness programs. Wellness programs, it's sort of a generic term. It can cover a lot of different kinds of things from a walking club all the way up to different kinds of premium structures depending on if you smoke or whatever.

I would say that for the kinds of employers that I typically work with they're entering into this wellness program trend or initiative gradually. Starting out, I would say, fairly slowly by using a wellness program that isn't really tied to specific health factors but is rather more generic.

And the reason for that is the cost of implementing something like this is relatively modest. It has a positive impact on employee relations and it has the potential downstream for reducing absenteeism and healthcare expenses. But it will take a while to really see the beneficial impact of some of those initiatives.

I think we're going to see people get more interested in wellness programs because the government just finalized some non-discrimination regulations on it. So, now there is a little bit more guidance about how they can be structured and work within the rules.

And so that would be a trend I would expect to continue a pace in the next year or two.

**TIM RACE:** Okay, thanks, Andrea. Next up we'll hear from Mary Kay Henry of the Service Employees International Union.

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**MARY KAY HENRY:** Thanks, Tim. Thanks, Andrea. I'm honored to share this panel this morning with Mary Nell and Linda, as well. And I'm counting on their comments about the two questions around public policy changes and proposed changes because I wanted to focus my remarks specifically on what our union-how did we expect these healthcare issues to play out over the next few years.

And one of thing we think is true is that one enduring trend for workers and healthcare benefits is that the longer we wait as a country to have a national solution the worse it gets. And that's why we have this theme about "Justice for all, pass it on" that we need as a country to arrive at a national solution.

And across the country we're hearing from employers that the rising cost of care is hurting their bottom line and making it tough to compete in a global economy. And we all should be concerned about that and it's something our union has been trying to raise throughout the American Labor Movement that an analysis by the McKenzie Group says that soon as this year, 2008, healthcare costs are going to exceed profits in many Fortune 500 companies.

And the fact is America can't compete in a global economy when our company's put the cost of healthcare on the price of the product they're selling around the world while most of our competitors do not. But I'm a Trade Union leader.

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This isn't just a crisis at the board room table. It's a crisis at the kitchen table for our 1.9 million members and workers across this country.

And that's what I want to talk about this morning. I'm here to tell you about hard working Americans like Paula Hall and many of the people in this room. Paula is a new SEIU member from Spokane, Washington but if this works we want to see if Paula will tell you herself after the State of the Union this year.

**PAULA HALL:** Hi, my name is Paula Hall and I am pleased to deliver this week's Democratic Radio Address. I'm a childcare provider in Spokane, Washington. And my husband and I worked hard all our lives to get the American dream.

But we had never thought it could slip away so easily. Six years ago I got a call that changed our lives forever. My husband was hanging on to his life after being hurt very badly on the job.

He would never be able to work again. Six months after that we lost our healthcare. I was now the sole provider for our family and we had no way of paying for physical therapy and medicine my husband needed. I worked 14 hour days and barely made enough for our mortgage payments.

To afford the bare necessities I went to night school to get a weekend job that might pay more than the minimum wage. I don't know how I managed it but I had clearly worn my body

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out. In 2005 I had an emergency triple bypass that failed. In the next seventeen months I had nine angioplasties and five stints placed in my heart.

Then came the bills, with no insurance we had no way to pay the hundreds of thousands of dollars it took to save my life. We had no way to pay for the medicine and no way to pay our mortgage with me out of work.

To try to save the house we raised our daughter in we used up all of our savings, cashed in one little my husband had for retirement and sold anything of value. Unfortunately, it just wasn't enough. We had to file for bankruptcy and we lost our home.

Every day we don't know if we can make the rent or buy food. I never thought my life would be like this. Nobody should have to lose everything because they don't have healthcare.

**MARY KAY HENRY:** So, as Executive Vice President of SEIU Paula is who I think about and work for every single day. And the important reality is that we don't need another study or conference to confirm the problems with healthcare benefits for all workers in this country.

And that in the 14 years since we last attempted reform we have simply relearned the one enduring truth that the longer we wait the worse it gets. We believe that American's have

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made their choice, that they're ready. They know the time is now for change.

At SEIE we're ready too. That's why we've built coalitions with bed fellows like WalMart and the Business Round Table and our employers and with healthcare employers in the Partnership for Quality Care. It's why we hosted the first presidential forum in Las Vegas on healthcare.

It's why we insisted that anyone who was running for President interested in our support must offer a comprehensive plan to make sure everyone has access to quality healthcare they can afford.

It's why next month we're beginning a nationwide bus tour, "The Road to American Healthcare" that will stop in communities across the country to highlight the importance of this issue in the election year. And to tell stories of workers both with insurance coverage and without and the impact on the sort of patchwork system that Andrea talked about.

And it's why we're launching an unprecedented campaign to elect a pro-healthcare President and create a new American healthcare system. This brings me to my final point.

There is a lot at stake in this election for America and for Americans' like Paula Hall. With this election we believe we have a monumental choice before us. We can choose no plan because let's be clear tax credits and de-regulation are not a plan or we can choose a comprehensive plan that

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provides real solutions to the problems facing our healthcare system and our country.

We are at a moment of change and in healthcare change is no longer a matter of policy but politics. And the good news is that the will for change seems to be building. Across the country Republican and Democratic governors alike are proposing and passing their own sweeping solutions.

The business community, WalMart, the Business Round Table, Intel, NFIB, are speaking up. Even the insurance industry, the creators of the Harry and Louise ads have a proposal for healthcare reform.

We won't agree on every idea. But clearly we are all united in knowing that something must be done. America is ready for fundamental, not incremental state by state change, for a new direction. America is ready for all of us sitting on this panel to set aside our differences and work together to make this happen.

The question, I think is are we ready to meet this moment of opportunity with action? We believe we are and the Paula Hall's who are out there struggling to make ends meet deserve for us to seize the moment of opportunity. And our unit is ready join with others in acting as a catalyst for change. Thanks.

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**TIM RACE:** Thank you, Mary Kay. Our next speaker, now representing the insurance provider's point of view, Mary Nell Lehnhard, of the Blue Cross Blue Shield Association.

**MARY NELL LEHNHARD:** Thank you and thank you for inviting me. And I would say I am representing Blue Cross and Blue Shields point of view. I don't know if all the insurers share that point of view.

**TIM RACE:** Okay.

**MARY NELL LEHNHARD:** We have a five point proposal for assuring coverage for every American. It's called the Pathways to Covering America and we handed copies out at the back.

I think it's very significant that four of our five points are focused on how to get costs under control. It's absolutely imperative that we address costs. Today's system simply cannot support the vision of covering everyone tomorrow.

And this is true no matter who pays for it, the employer, the government, or individuals. I am going to walk through our four recommendations very quickly on addressing costs.

The first one is we have to encourage research on what works. Thirty-percent of the care provided in the United States is ineffective, redundant, or even harmful. We need an institute to help us research what treatments, devices, and drugs work. And we have to get that information in the hands of consumers and doctors.

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Secondly, we have to change the incentives in the system. Today our payment centers reward providers based on the number of services they provide. So, the more they do the more they make.

We need to change those incentives and encourage the best possible, highest quality care and not just the most services. Third, we have to empower consumers and providers with tools they need to make more informed decisions on their own.

We want to see electronic health records in every doctor's office. They can't even tell you how many diabetics they have much less contact them. And we want personal health records for every consumer they have the information they need at their fingertips to help make decisions.

And fourth we want to promote health and wellness, 75 cents of every healthcare dollar is spent on a chronic illness that could be managed or prevented. We need to focus on keeping people healthy and managing chronic illness.

Not only employer wellness programs but programs such as we're pioneering called the "Medical Home" where we pay the internist to coordinate the doctors and medications of seven different specialists particularly for older people. Our fifth recommendation is to cover everybody. And it's to foster public/private solutions to cover all the uninsured.

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We have a number of proposals that are outlined in our document but I'll mention two. We believe the Federal Government should provide a tax credit for people's who health insurance premiums exceed a certain percentage of their income.

And we don't specify the percentage. But we think there ought to be a percentage set by the Congress. And secondly we believe the government should provide tax credits to help small businesses offer coverage to their workers and in some case help low income workers either through Medicaid or another subsidy program.

We believe and this is today's question as we work through the issues of healthcare reform it's absolutely in the best interest of everybody to build on the employer based system to assure coverage for Americans. And the reason we support strengthening the employer based system I'll mention three.

First we truly believe if the employer based system is eliminated you'll see the number of insured increase dramatically. It's highly unlikely that any Congressional proposal that eliminates the role of the employer could include enough federal dollars to match the average subsidy for workers that have coverage.

The average subsidy right now for workers with coverage is 84-percent. This gives us a very high take up rate for

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employees. Eighty-two-percent of workers take coverage take coverage that's offered to them.

And according to the Kaiser Family Foundation when employer subsidies fall or any subsidies fall the take up rates fall almost in proportion. At a 64-percent subsidy rate only 68-percent of the people take the coverage.

We believe it is far better to use scarce federal dollars to help those employers and workers that currently can't afford coverage than to restructure the entire system. And bear in mind that 99-percent of large employers offer coverage and 59-percent of small employers offer coverage.

And contrary to what many believe numbers from the very respected Employee Benefit Research Institute show that the percentage of workers with access to insurance through their employer is largely unchanged since the 1990s.

Second reason we think you should build on the employer system is there are 162 million Americans right now that have coverage through their employer. And they are highly satisfied with that coverage and they're very likely to resist leaving their employer and finding coverage on their own.

And third, very importantly, moving these workers into buying individual coverage on their own and building the infrastructure to take care of these 162 million people would be an overwhelming undertaking. For example, just in Texas the state would have to build an agency to take care of seven

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million people and do the things that their employer no longer does.

This would mean a diversion of attention, resources, and very importantly expertise from the real problem which is controlling the cost of care. We believe the focus of reform should be on shoring up that 40-percent of small employers and low income individuals, workers, and workers who can't afford coverage and changing the incentives to address cost and the quality of healthcare.

**TIM RACE:** Okay, thank you, Mary Nell and Linda Dillman, WalMart Stores.

**LINDA DILLMAN:** Good morning. We're right before lunch. I hope we can keep everybody interested. At WalMart we're looking at what's happening not with just with healthcare but with health of Americans as a critical concern and for employers but also for our associates, our employees, and our customers.

And that's how we're approaching what our role should be in trying to solve the problem. Certainly the cost to all of those folks certainly as an employer, the impact of declining health to our employees, but the economic impact to our customers of increase in health care costs could rival what has happened with gas prices and mortgage prices.

And an impact like that is not good for our economy. It's not good for our business. So, the things that we have

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done so far is we've gone on this quest to make a different. The first thing we did was look to our associates for an answer.

Believing that with our 1.1 million associates we have demographic that looks very much like America. And that instead of trying to figure out from our office what they needed and when they needed it we should go ask them and try to meet those needs.

So we did some very active listening. We made some significant changes over the last couple of years with our plans. And we got a response that was very positive from our associates. We've increased every single year the percentage and the number of our associates and family members that are on our plan.

And the numbers that have insurance of some type whether it's through us or through spouse or retired veterans. And that's almost 93-percent today. We have over a million Americans on our plan.

The thing they told us and it goes back to some of the other earlier comments is they wanted choice. They don't want to be dictate what their coverage should be. They have different needs at different points in their life.

And they did not want a one size fit all. So, we gave them a plan that let them pick. They can have over 50 combinations of choices. They wanted access to both near term

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to immediate care and they wanted to know they were protected financially if something terrible really happened.

And the things that we've done and we certainly don't have this all mastered but we have made progress. But we have made progress. We've expanded the WalMart stores \$4 generic prescription program to include all generic drugs for our associates and their families, so, over 2,000 drugs.

And we've gotten very good and very positive results from that. And we offered everyone on our plan what we call a healthcare credit. So, a pre-deductible amount, the minimum is \$100 per participant and it could be as high as \$500 per participant.

So, this is money they spend pre-deductible to make sure that when they got sick they would go see that doctor and get care before their health condition became critical. And that was very important.

And then we had to do it at a cost that was reasonable to them. And reasonable to them also varies depending on what they want and where they are. So, the cost of our plans ranged from \$5 a month if you got a \$2,000 deductible plan with a \$100 healthcare credit which appeals a great deal to our 21 year olds, the healthy young 21 year old who's never going to have any condition in their life.

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Well at least they believe that. To a reasonable \$200 or so a month for somebody what wants to cover their entire family and they want to very high healthcare credits.

Some of the other things we've done, we've tried to get involved in the business. So, if you've seen our \$4 generic retail announcement. We are doing healthcare clinics. We're getting involved in the use of technology in healthcare.

We're promoting the use of personal health records believing that if you get individuals involved in helping manage their own health and healthcare they will help improve the system. And we've been involved in the policy discussions.

I mean we're referred to as it takes leadership and sometimes you partner with people that might not be your natural partners on things that make a difference. And this is too important to ignore.

In terms of the public policy and we're certainly public policy experts trust me I'm not. We're very glad that the discussion is happening. We're glad it's a topic because that increases the odds that something will happen.

We think that the solution has to focus on more than covering the uninsured. And it has to focus on more than changing who pays for it or how it's paid for.

If you ask us or ask me our greatest fear it's that we will only deal with those two issues and we will not deal with the real cause of the problems we're facing today which is

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driving efficiency in the healthcare system, is creating a healthcare system that's focused on health and not just the treatment of the illness.

When we try to shuffle the dollars around it always seem interesting because the check always goes to one place and that's to the customer, to the American citizen and when we shuffle it around all we're doing is fighting over who's going to deliver the bill to them.

Is it going to come in the form of taxes, is it going to come in the form of prices, am I going to pay for it in my wage and benefits? We're just—it's all going to come out of their pocket. So what we have to do is fix the real issues that are causing the problem, all the problems we talked about.

How do we think it will play out? I love that question because I have absolutely no clue how it will play out. And you guys could probably give me better feedback. But we're at a point in time where change has to happen. It's not an issue we can ignore. We can't put this one off. We have to do something.

It's a shared responsibility. So, it's got to be action taken by businesses, by labor, by individuals, and by government. Everybody has to be involved in the solution. And we hope we can continue to play a lead role or be a catalyst in driving those solutions.

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**TIM RACE:** Okay, thank you. You've done a remarkable job of plowing through the first round here. What I've promised the panelists is that they'll each have chance now to speak to what they've heard or ask a question of another panelist. So, we'll move the baton back up here if we can to Andrea and let her go first since she's been sitting here quietly the longest.

**ANDREA O'BRIEN, ESQ.:** Thanks, Tim. I guess one question I'd be interested in hearing from my fellow panelists is if it's true that we're really on the cusp of change. I mean it just seems be everything converging towards a change of the structure of health plans.

But recognizing as I think I mentioned and Linda had mentioned that there is some resistance to necessarily universal coverage. Can you identify maybe some steps that would help move towards universal coverage but be more palatable to the business community?

In your discussions or and one example that I'll throw out for you is how do you think employers or your constituents would react to a concept again that we see maybe the retirement community paving the way for the health plan community and it's a concept of sort of auto enrollment.

It's a feature that we see more and more in 401k plans. And I'm just kind of curious as to what your reaction would be to proposals such as I think actually Senator Clinton may have

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in her package of sort of auto enrollment for health plans.  
Would that help advance the ball any from your perspective?

And she didn't pay me to ask the question.

**LINDA DILLMAN:** I really didn't. I didn't pass any questions on in advance. I don't really want to get into the question of mandate or not. Because I don't know what it's going to take for the system to work we need almost everybody or everybody in the system just by default.

For a lot of reasons, you need people to get healthcare at the first opportune moment not wait and delay healthcare. But what we've been focused on is first trying to understand what people needed, what our associates needed.

So, they would sign up on their own. And I think that's the place we can start. We've been able to grow our insured, grow those on our plans by almost ten-percent for our associate base just by listening to them and giving them plans that made sense to them.

If we could move ten-percent of America's uninsured onto the plans that would already be a significant difference. So, I think before we start trying to do mandates of anything we should try to figure out what we could offer them that makes sense that they would voluntarily participate in.

**MARY NELL LEHNHARD:** We've done some analysis of who is it that's uninsured and we've put them into three categories, the left out, the squeezed outs, and the opt out.

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The left out—about a third of the uninsured are actually already eligible for government programs but they haven't signed up. A lot of it is S-chip, is Medicaid, and we think you should simplify the program, simplify enrollment, simplify eligibility determination, and educate people so they sign up, use the schools. That takes care of about a third of the uninsured.

The middle category the squeezed out can't afford it. And these are mostly low wage workers and individuals who can't afford coverage and we do a survey every year with Ebry [misspelled] and we find that employers won't even offer coverage because they know that their employees can't afford it. So, it's a moral problem if they offer it and they have said, 80-percent say they'll consider offering it seriously if their employee has some health purchasing.

So, if you just take that money and focus on the small group market you hit a tremendous number of the uninsured and finally there is the opt out. Almost a third of people can afford coverage and just don't take it, particularly young, healthy people, surprising number of older, wealthy people.

And the question comes in for a mandate there. We don't have a position on that but we think by all means you need a massive education program, maybe there is some mechanical thing that says you don't have health insurance, you put it on your tax return or something but not require them.

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But they get a letter. You don't have any health insurance, why not? Just kind of hit them in the fact that they're not protected.

But I think it's important to look at why don't people have coverage and how can we tailor ways to help those people?

**MARY KAY HENRY:** My final point would be if auto enrollment is a way to get everybody in we're for it. If auto enrollment is incrementalism it's not enough. Our country deserves fundamental reform now. And everybody ought to be able to afford it, period.

**TIM RACE:** Since you have the baton it's your turn to now—

**MARY KAY HENRY:** I'm really anxious to hear what people in the audience have to ask. So—

**TIM RACE:** Okay.

**MARY KAY HENRY:** I don't know if you do, Mary Nell, have a question?

**MARY NELL LEHNHARD:** No, no.

**TIM RACE:** Fine. Great. So, please do step to the microphone if you have questions. And if you don't mind identify yourself or your organization.

**PHIL GAIL:** Hi, Phil Gail with Spomage [misspelled] Post. I wonder if you could touch on two hot issues that I see. One I see a lot more employers working to keep their workers healthy as a way to lower costs and to keep their

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workers happy. Can you touch on do you expect that we're going to see more employers give financial incentives for people to do healthy things?

And also penalize employees who smoke and do unhealthy things as a way to balance things out? And the other issue do you think we'll see more employers directing their workers to higher quality and lower cost hospitals and doctors?

**TIM RACE:** And you're directing this to the entire panel?

**MARY NELL LEHNHARD:** I think you've hit on a key problem, hopefully one we can resolve on a faster track than overall healthcare reform. Right now, unless it was in those clarifications you can't give—employers can't give incentives to people to enter a smoking cessation program or lose weight because of HIIPA and the non-discrimination rules.

And we've said that that needs to be changed so that employers can really reward good behavior. Do you want to comment on the—let me get turned to the ERISA to the attorney.

**ANDREA O'BRIEN, ESQ.:** Thanks, Mary Nell, I think this kind of goes to one of the points that I was making is that folks who've started with wellness programs started out pretty small offering things like reimbursement for fitness club dues.

**MALE SPEAKER:** Ten years ago—

**ANDREA O'BRIEN:** Actually that's still happening. The concern is in either structuring either the punitive approach

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which is the higher premiums for smokers or folks who have high body mass indexes or diabetics, things like that, folks who have the chronic illnesses is there are these non-discrimination regulations under HIIPA that look at making sure that the amount of the award or the punishment don't exceed certain perimeters.

And so these regs were just finalized in like November, December of 07 and so I actually think that in some ways that was too late for, it's certainly too late for 08. And just starting now I think people to look at what they can put into place for their companies for 09.

Does that make sense, because the regs kind of came out too late?

**MARY NELL LEHNHARD:** It's impeding the companies that do business with us one person's penalty is another person's reward. But they're not able to do what employers would like to do as you're describing.

**LINDA DILLMAN:** And I have to say something because just it's something—I personally and we feel pretty passionate about. A lot of the techniques that have been used today feel a lot like it's a combination of preaching and punishing.

And if you believe that people want to be healthy and there are things that are getting in the way of them doing so and instead of preaching or punishing you start to provide support that change will occur. We tried this with the roll

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out and it actually, in fact I thought it was interesting that you guys had some sessions on the intersection of health and the climate, because we did this under our sustainability program.

We rolled out something called a Personal Sustainability Project. And it is a totally voluntary program. We let our associates choose if they want to participate. We don't know who does or what they're doing. We just provide them lots of tools, lots of support, support mechanisms.

**PHIL GAIL:** To do what?

**LINDA DILLMAN:** They pick. They pick a personal sustainability project. Well, that's it. It's different for every person. They might decide to quit smoking. They might to decide to eat organics. There was a woman in one of our meetings this week was on her fifth personal sustainability project.

We've had people who have changed the way they consume electricity in their home. But the fact is on a voluntary program more than half of our associates chose to participate and sustain their participation. So, that's over half a million people voluntary and they picked difficult things.

Twenty-thousand of them decided to quit smoking. People have lost thousands of pounds across the company. So, that's where we're pursuing this. Instead of saying we're going to try to make you or we're going to preach at you until

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you decide to do something we're saying we think you want to be healthy and we're just going to figure out how to help you.

I think if we can approach it that way from a nation that we could actually see change.

**PHIL GAIL:** Well, aren't more and more companies opting for lower premiums for workers who [inaudible]?

**LINDA DILLMAN:** We aren't but that's—

**ANDREA O'BRIEN, ESQ.:** I think until you run into the problem with non-discrimination—

**TIM RACE:** Use the microphone, if you would.

**PHIL GAIL:** Does WalMart give people a pep talk to [inaudible]?

**LINDA DILLMAN:** Well, no we do — I'll be happy to share and I think we may have some of the fact sheets in the back is we created support networks. So, we have 4,000 network captains across the country.

And we have an entire and we have invested quite a bit of money in it an entire support network that provides information, tools, help, material, encouragement, recognition. But part of it is having people around you who want to help you succeed that help you along the way.

If you've ever tried to lose weight or quit smoking it's a lot easier when you have help. And we've tried to make the workplace where we can provide that support. The numbers are astounding.

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And it just supports it's not about what we did great it's the fact that people—we don't have to try to make people want to be healthy. They really do want to and if we can figure out how to help them it can happen.

**ANDREA O'BRIEN, ESQ.:** If I could just supplement that a little bit. From my vantage point where my clients come to me and say well what can I do? Is this a problem under the law?

I see a lot of initial attention focused on, "Gee it looks like I'm a self funded plan, I get the reports of my claims. It looks like we're spending an awful lot on diabetes management or heart disease." Let's try and figure out a punitive way to punish folks who might be smokers or who might not be a very compliant patients.

And that's what they want to sort of know what the perimeters are. In my experience and it's only one person in one law firm but my experience is that at the end of the day they don't wind up implementing those. Because they think that it's really punitive and it winds up having negative employee relations consequences.

So, there is a lot of initial focus and attention on the part of maybe the finance office or the benefits managers. We've got to do something to reign in these costs. At the end of the day they don't actually implement them.

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**MARY NELL LEHNHARD:** I'd like to give you one example of what I consider the essence of what we're looking for for wellness programs. You can offer smoking cessation, all those things, some people take it. Some people don't. But we worked with physicians in New Jersey and gave, based on claims data, gave the physicians who their diabetics were.

They didn't even know and whether or not they had taken those annual blood tests that they're supposed to take every year. Only 40-percent of them had and we told those physicians, they called those patients, we got it up to 90-percent and we also got the outcome on the tests up to 90-percent.

So, I think it's more than just offering people things. I think it's doing research for people, telling them things they don't know. And I go back to these physicians and medical and personal health records, giving the tools and empowering people that maybe they didn't realize they hadn't taken a blood test for three years.

It's a little bit more in the fact than saying here is a smoking program.

**PHIL GAIL:** So, are financial incentives are on their way out?

**MARY NELL LEHNHARD:** I wouldn't say they're on their way out. My understanding and we represent ERISA lawyer too that is murky area and if you get into discounting insurance or

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whatever, your premiums for people because they take a certain program you're into possible HIIPA problems.

**ANDREA O'BRIEN, ESQ.:** Right, because HIIPA limits the ability to discriminate based on health conditions. And so there are perimeters under these regulations.

**FEMALE SPEAKER:** So, what are the perimeters?

**MARY NELL LEHNHARD:** The perimeters are and this is all across the board on a lot of areas you can't single out anybody based on a health problem. So, if you single out your smokers you've singled them out because it's a health problem.

If you single out your diabetics you've singled them out because they have a health problem. HIIPA says you can't discriminate.

**TIM RACE:** You wanted to follow up.

**ANDREA O'BRIEN, ESQ.:** Yes, and essentially the reward or incentive or punishment there is collar of like 20-percent of the value. This might be easier to pass it back and forth.

**TIM RACE:** Go ahead, sir.

**KEITH DORCE:** Hi, I'm Keith Dorce and I am with the San Diego Union Tribune. And I've written about a number of insurers who have started offering by-national health plans where maybe a worker in San Diego who's from Mexico might get emergency room coverage and regular doctor visit coverage in San Diego and then if they have to be hospitalized will go

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across the border to Tijuana and be hospitalized there where they have family.

I'm wondering if, sir, what employers think about those kinds of plans particularly in border regions like Southern California and other states?

And also sort of along the same lines if—what's the feeling with employers these days about medical tourism? And maybe having some of those types of treatments covered?

**MARY KAY HENRY:** We have an experience with our janitors who clean commercial office buildings in downtown San Diego and our real estate company it's a master contract and we negotiated such a plan because 50-percent of the workforce are originally from Mexico and felt more comfortable in some cases returning to their families in order to get the highest kind of care if they had to be hospitalized or something like that.

So, I know in that case the employer was quite willing to figure out how to do something that worked for them and for the workers that we represent in San Diego.

**MARY NELL LEHNHARD:** I would say that healthcare like everything else is becoming global. We have a program for people traveling overseas to cover care and we actually contract with the hospitals that they might go to to get a better price.

And we're opening an office in China. They've asked us to help design a new healthcare system. So, it's like

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everything else the world is getting smaller and smaller and people are traveling more and they want to be protected.

**DUNCAN MOORE:** Hi, my name is Duncan Moore. I am a freelance journalist based in Chicago. In my most recent corporate media job I covered the health insurance industry for Bloomberg News.

And now I am facing some of the issues that I used to write about. I believe in the value of health insurance. I pay \$447 a month to continue my coverage through Cobra but it's going to expire in October and then I am cast into the individual insurance market where anything goes.

I must tell you I have been reading with a certain horror the stories out of California and elsewhere about the rescissions of individual insurance policies primarily by Blue Cross of California, also Healthnet.

I also know a man in Chicago who was in a coma for two weeks in Northwestern Memorial Hospital. His insurance company refused to pay and retroactively cancelled the policy.

To me the only rational conclusion that a person can draw is in the individual insurance market as soon as you get sick your insurance company will remove you from the pool and possibly not pay your obligation. Therefore, why should you even bother to take an individual insurance policy in the first place?

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So, this goes to the issue of opting out that was previously discussed. And my question is what will it take to solve this problem, to discipline the insurance industry will it take a legislative or regulatory solution or is this something that the insurance industry is capable of dealing with on its own?

**MARY NELL LEHNHARD:** I can't answer for Blue Cross of California. I know that have an answer but I don't know what it is. We're working on-

**DUNCAN MOORE:** It's a legislative and regulatory answer from Sacramento is what's happened.

**MARY NELL LEHNHARD:** Well, I know the plan has an answer too. But we're working as a national association we're working on right now developing ways to improve the individual market and rescissions is one of those areas.

And I'm hopeful that we'll find a very consumer friendly solution to rescissions. The thing you do have to protect against is somebody being very blatantly fraudulent when they apply. I don't have any pre-existing condition, maybe you cut it off after a certain number of years even if they lied you still cover them.

But I'm aware of the problem and we're trying to address it voluntarily.

**TIM RACE:** Anybody else?

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**MARY KAY HENRY:** I just feel like your story, Duncan, could just be another version of Paula's which is this system is not a system. It doesn't work. Why worry about fixing the individual insurance market? The whole thing needs to get rehailed.

So, for me your story is about we have to have a national solution to this problem, tinkering with regulation around one thing forget about it. We've had enough as a country. And we've got to make the change more systemically.

**DUNCAN MOORE:** That leads me to a second question. What can we do to accelerate the collapse of the system so that there is nothing left but dust and ashes? Because then we will have to do something?

**MARY KAY HENRY:** You want to heighten the crisis?

**DUNCAN MOORE:** Yes, I really want to heighten the crisis. That's right.

**MARY NELL LEHNHARD:** I think you have to as you enter healthcare reform I think you really have to look though at unattended consequences. For example, some of the federal proposals that do eliminate the role of the employer assume that if you make more than \$48,000 you don't need a subsidy at all.

So, even if you find a job it's not—you're not going to get subsidized and if you make more than \$48,000 you get no

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subsidy. If you get more 120 you can't even deduct the cost of your coverage.

So, there are terrible tradeoffs no matter what you do. And there consequences no matter what choices you make and I think that's what people have to really educate themselves on.

**DUNCAN MOORE:** Thank you.

**FEMALE SPEAKER:** My question is about the electronic medical record which you mentioned, I'm sorry I lost your name when I came to the--yes. And we've all written about the electronic medical record and its promise for helping to manage chronic illness, to give people their own medical guide to their own bodies so that they can manage their own healthcare.

And I've looked into this and the fact is that vastly more than 50-percent of the physician population in this country is still on paper records. And many who have tried to convert to the electronic record discovered that the software that they have gotten to create, to move ahead with the times is not compatible with Medicare software, is not compatible with the local hospitals software, and there has been a disillusionment as a result of that because it's been a very high upfront cost.

And the system is not really ready to make the best use of that. So, if the Blue Cross system in encouraging use of the medical record and also encouraging beneficiaries to get on

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board with this who's going to invest in the capital expenditures to actually make this a reality?

**MARY NELL LEHNHARD:** You've hit on I think the most significant issue. We have to have one set of standards for the whole country, for every provider so they can all talk to each other. And we're trying—there is not enough leadership right now in getting those standards done.

There is work going on but there are a lot of standards that I don't even understand. It's not only what you communicate but the platform you use to communicate things has to be standardized.

So, I think that's the first step we have to have standardized formats so if you make an investment it's the right investment. We have actually provided physicians with the computers they need to do electronic prescribing.

And we think that electronic prescribing should be mandated in Medicare that the stakes on prescribing are horrific and they could be largely—hugely moderated by using electronic prescribing.

I also think that there is a tremendous opportunity in using claims data to help physicians identify things they need to do in their practice. Just like the example I used helping physicians identify who your diabetics, have they had the right tests.

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And that's something we can do now, we don't have to wait for this highway of electronic interconnectivity to be established because that is going to take a while. So, I think we need standards, we need to use what we have, and right now the personal records are largely people storing my kids have their shots, it's storing information which may be helpful to people but again that also needs to be standardized and connected somehow with what the physician has access to.

**TIM RACE:** I think we have time for our last two questioners but go ahead.

**ANDREA O'BRIEN:** And just one point on the electronic records. Just something that I think a lot of folks don't necessarily understand is that if the employees have their own personal health records they're not subject to HIIPA privacy protection.

Because HIIPA privacy protection rules were designed to only cover health records that are held by covered entities, which are plans, insurers and billing entities. And so one of the things, just to echo what Mary Nell is saying we're a ways away from this, I think, is I think there has got to be a recognition that if people have expectation that their personal health records are going to remain private the privacy laws are going to need to catch up to that.

**MALE SPEAKER:** We're having a whole panel on Health Technology at:30 outside [inaudible].

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**MARY JO VELTSIDE:** Hi, my name is Mary Jo Veltside. I cover healthcare for the St. Louis Post Dispatch. I appreciate WalMart and SEIO and other groups trying get together to create a solution. I wonder though if when you sit down at a table and really try to hammer out details that you don't come to more differences than maybe you've told us here so far today.

So, if you could just talk about maybe a couple of areas of difference where you have and how you're trying to reach compromise in those areas?

**LINDA DILLMAN:** First of all I think you'd be surprised how few the differences are. And there are as even being able to articulate the original principles that better healthcare together has introduced it took a number of hours to work through exactly how we should word that and what were the things that would be most important.

There are 1,000 ways that you could solve this when you get down into the details. And the most important part to us was that the key principles are the same about everybody having access to coverage and being covered, that we solve the underlying issues. And I think the rest is fine tuning.

**MARY KAY HENRY:** And I actually wish it was a negotiation between SEIU and WalMart that was ultimately going to work though all the differences. Because if the rest of you all would trust us that might be a very simple way to help get it done by just having two parties.

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But as you know the reason we failed six times in the last 60 years to get over the hump here is there are many powerful interests in our country that don't want to see kind of radical change happen.

So, our image of this isn't that the differences are going to get worked out at a table like that. Our image of this is that we have to create a ground swell in this country that will be unstoppable on the sort of incremental or factional obstacles that have kept us from before.

But we actually thought just to underscore what Linda said, the most radical thing we did when we put Better Healthcare together was get a very large employer in the U.S. economy to come out for saying everybody in this country should be covered, that there should be a shared responsibility between government, employers, and individuals.

And that we wanted a system that kept us healthy, that didn't treat disease. And that those were three pretty profound things to get labor/business unity on.

**MARY NELL LEHNHARD:** There was actually a group last year, I think, we worked for about two years. It was the hospitals, the doctors, business, I believe labor was on it, not SEIU but another labor group, everybody in the health industry was at the table.

And we did come out with a consensus opinion on how to reform the healthcare system. And it was extraordinarily

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difficult, I mean you sat through one of these meetings and you've hit the ultimate test. They were very long and tedious.

They did come out with a consensus on how to get coverage for everybody and it was primarily through a series of subsidized workers who can't afford it, employers who can afford it and I won't go through what they did but they were able to come out with a consensus opinion proposal.

**ANDY MILLER:** A quick question for Linda. Andy Miller, Atlanta Journal of Constitution. Like eight, ten years ago we were writing stories about how poor WalMart benefits were for workers, many couldn't afford it, many of your workers were on public programs like the CHIP program and Medicaid.

What turned things around?

**LINDA DILLMAN:** Part of it was us doing a better job of talking about what we did have. But to be honest it was taking a hard look at where we were, what the issues were, and a mind shift kind of countering some of the things that were said earlier is we aren't viewing healthcare and health as an expense anymore. We're viewing it as an investment.

That if you believe as a business that the health of your employees makes a better business and has a very direct return then you will invest in it and you will stop trying to manage the cost. And that's been a very big shift in how we're approaching these.

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**MARY NELL LEHNHARD:** I recently had dinner with a major employer groups in D.C. and that's exactly what they said their members, their employer members believed. That they still support funding, employers funding health insurance, these are larger companies and they view it as an investment in their employees which in turn helps them run a better business.

**TIM RACE:** Okay, I hope you'll join me in thanking our panelists. [Applause]

[END RECORDING]