

**Health Reform Forum: Cost vs. Coverage – What’s the  
Priority?  
National Federation of Independent Business  
April 24, 2008**

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**ROBERT GRABOYES, PhD:** The fact that we have this many people here at 8 A.M. tells me that health care must be a very important topic in Washington this year. National Federation of Independent Business welcomes you to today's health care forum entitled "Cost vs. Coverage: What is the priority?"

I am Dr. Robert Graboyes, senior health care advisor for NFIB, the nation's leading small business association. Before getting started I would also like to thank the Kaiser Family Foundation for taping and disseminating this event. You will find the video and the transcript on Kaiser's website I believe tomorrow.

This spring NFIB is convening a series of forums to generate dialog on health care reform. For several decades, NFIB's members have declared health care to be their number one concern, so we have adopted the following motto: When it is fixed for small business, it is fixed for America. The facts on the ground give credence to our motto.

Most of America's uninsured are in the small business community. The effects of rising costs are especially brutal on the small business and the fear of losing insurance coverage deters countless Americans from pursuing their dreams of owning their own businesses. Debate over health care reform sometimes becomes an argument between those concerned mostly with costs and those concerned primarily with coverage. Keeping that in

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mind, today we will explore different paths to health care reform.

Our panelists today are top level policy advisors to the remaining three presidential candidates. Katherine Hayes is an attorney and represents the Clinton presidential campaign. She has served as health policy advisor to both democrats and republicans in the U.S. Senate and House of Representatives. Katherine's brother was a small business owner but was forced to close his business for health reasons.

Douglas Holtz-Eakin is senior policy advisor for John McCain, 2008. Doug is an economist, former head of the congressional budget office, and former chairman of the Dept. of Economics at Syracuse University.

Kavita Patel represents the presidential campaign of Senator Barrack Obama. Kavita is a medical doctor and notes that her father owns a small business and struggles to acquire health insurance for his employees.

We are especially fortunate to have the perspectives of a doctor, a lawyer, and an economist all in one panel, since reform entails complex questions in each of their fields. 2009 should be an important year for health care reform. It will bring a new congress and a new president who is almost certainly represented here today, so at least one of our panelists is likely to have a major impact on the top issue

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confronting small business. We are honored to have these three guests with us today.

The goal of this forum is to generate a conversation among our panelists. After this introduction, each panelist will give us an overview of his or her candidate's health care proposals, then I will ask some questions of the panel. Finally you in the audience will have a chance to ask some questions as well. Let us begin with Katherine Hayes representing the Clinton Campaign.

**KATHERINE HAYES, J.D.:** Thank you very much, Bob. And thank you NFIB for your concern over this issue for making it a priority. I recognize and Senator Clinton recognizes what a difficult issue health care is. As Bob mentioned from a personal perspective, my brother who was a small business owner developed lung cancer. He was a sole proprietor. He did not have, he employed part-time workers. It was a security firm. He employed off duty police officers to work security and developed lung cancer and had to go in for treatment and was not able to continue his business. He just did not have the energy or the time to commit to his business and at that time he was uninsured and thank goodness my brother had served in the Army and was able to get care through the VA and thank you, he was very lucky that a number of local physicians in Charlotte where he lived were able to treat him for the cost of what they would be paid by Medicaid, even though he was

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uninsured so he was able to piece together something and is healthy today but he did lose his business so he certainly recognizes, I recognize, Senator Clinton recognizes the struggle that small business owners face every day in providing health care not only for their employees but for their own families and themselves.

Senator Clinton, in looking at the issue of health care reform and in looking at your topic, cost vs. coverage, what is the priority? I think she would say that they are both a priority that it is really impossible to really get a handle on costs without addressing coverage because of cost shifts in the system, those who were uninsured, because of insurance markets and the way they function and the propensity to avoid risk as opposed to controlling costs by managing care. When she introduced her proposal, it came out in three parts. The first was one on lowering costs.

The second was improving quality. And those two initiatives included what I will call system modernizations which are, I think, common to all three of the presidential candidates' reform proposals. They include such things as the dissemination of health information technology in personal health records, e-prescribing and looking at and investing at the federal level in procedures, treatments, and products that work, really understanding much better what things in our health care system work and what things do not.

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We have seen from the Darton Study that Beth McGlinnis did that up to 50-percent of the care that is provided today is unnecessary and in some cases even harmful and at the same time about 50-percent of the people who went in for health care treatment did not get the coverage that they needed or did not get the services they needed and if you recall about ten years ago the IOM put a report out and they estimated that it took about ten years when an item or when a procedure is seen effective, it took ten years to get into regular practice, for physicians to pick up that procedure and understand that it is the most effective way to treat a certain disease.

So Senator Clinton also, in addition to e-prescribing and HIT would like to invest in comparative effectiveness research and the development of outcomes measures to understand better what procedures work and what do not, independent outcomes measures that would be consensus based. She also supports addressing social, ethnic and racial disparities, addressing shortages in the work force.

In terms of access, her proposal would develop a purchasing pool through which individuals, businesses including small businesses, would have another option for health insurance coverage. Individuals if you like what you have, businesses if you like what you have under her proposal you can keep it. If you would like more options, you can go to a public pool similar to FEHBP and see an array of private and at

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least one public health insurance option like Medicare and purchase coverage.

She supports finally shared responsibility in getting that coverage together. One is the responsibility of government to set some rules by which employers and businesses and insurers must play, particularly with respect to insurance market rules. She supports guaranteed issue, guaranteed renewal and some form of modified community rating.

She also believes it's the responsibility of government to assist those who cannot afford health insurance coverage and she has developed, or do not have employer based coverage. She supports an innovative subsidy which would limit insurance premiums to a certain percentage of family income rather than tying it to the product itself. And finally, she has supported an employer mandate with an exemption for small business. Senator Clinton learned a lot last time around.

She understands small businesses and recognizes that they are the engine of our economy. They are the focus of 90-percent of new jobs. They represent about 80-percent of the work force in many areas of this country and recognizes that employers would like to provide health insurance coverage but in many cases they just cannot do that in the current environment.

So instead of requiring small businesses to provide health insurance coverage for their employees, she provides an

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incentive through a tax credit to help them provide health insurance coverage, either on their own or purchasing through a pool.

And finally she supports individual responsibility, recognizing that the way insurance market works, you cannot really ask an insurance company to guarantee issue and establish modified community rating if people can wait until they get sick to come into the health care system and she also recognizes that according to some studies, there was one done by Ken Thorpe down at Emory that the cost of health insurance coverage, the average cost of about \$11,500 for a family policy, Ken Thorpe's research shows that as much as \$922 of that is attributed to the cost shift from those who do not have health insurance coverage that show up in emergency rooms and hospitals and receive care.

So with that, I would like to conclude and thank you very much.

**ROBERT GRABOYES, PhD:** Thank you. Doug?

**DOUGLAS HOLTZ-EAKIN, PhD:** Thank you, Bob and thank everyone for coming and NFIB for having this event. I think that this is an important issue and one that certainly deserves the attention that it is going to get between now and November. And hopefully in the next presidency we will see some genuine progress on what is I presume a bipartisan goal to get better care at lower costs for all Americans and the opportunities for

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better care are clear, that in the United State health care system there are far too many preventable medical errors, the fact that medical errors lead to the loss of life that is roughly the equivalent of having an airplane crash every day is unacceptable in America and is something that needs to change.

There are routes to make the care better. The U.S. health care system is far too characterized by the fee for service approach in which providers are paid for procedures that they do to people, that there is too little as a result, coordination of care, emphasis on instead of having good outcomes paying people to do things to people.

What Senator McCain would like to do would be to move the system, change the practice of medicine so that it is focused on providing good outcomes, less on some sort of siloed provider based approach in which everyone is paid on individual efforts and instead we get better coordination of care, people have a medical home and the health system works to serve Americans instead of Americans who are very frustrated by the current system, running from office to office and serving the system, so the goal should be to produce better care and in the process can lower costs.

There is an enormous amount of evidence that we are paying far too much now, fully 1/6<sup>th</sup> of the economy for the kinds of outcomes that we get and the opportunities for lower costs through having practice patterns reflect the latest in

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medical science through having some coordination of care, taking advantage of low cost, interventions like prevention, personal responsibility, 75-percent of our health care bill is due to five chronic conditions. Treating those chronic conditions effectively can be done at a lower cost than we currently do and what we want to do is take advantage of these opportunities for lower costs because in the end it has been the rising spending on health care that is the greatest threat to the system.

Over the past three decades we have seen continually the same pattern which is that spending per person on health care grows 2, 2.5 percentage points faster than income per capita, year after year after year, and this rising spending on health care is the reason that we find employers dropping coverage, shifting more costs to their employees, it's the reason why individuals cannot afford to buy insurance, it is why our state and local governments find themselves with their budgets threatened.

It's why the federal government, through the programs Medicare and Medicaid, is on track to have such tremendous fiscal stress, so the rising costs of health care has to be at the centerpiece of any effort to reform and transform the health care system and protect the ability of Americans to continue to have access to care through a quality insurance product and to get better care.

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These are tremendous opportunities. We will talk in more detail during the discussion, these health care reforms end up sounding like a long laundry list of things you'll do, comparative effectiveness approaches, what will be available in the way of transparency and coding of outcomes and crisis so people can actually make good decisions about their care options, what is the appropriate way to reform the litigation system so that we have providers who can do their jobs following best practice without fear of being sued and take that out of the redundant sort of defensive medicine that is characterized in so many practice patterns.

So there is a long laundry list but the key is to focus on transforming the way we deliver medicine in America. We have the finest of medical science. We do not have a commensurate, finest outcomes in America. We need to move the system and take advantage of that while not destroying the kind of innovation that allows cancer victims to live in American ways that simply was not possible in the past.

Now, the goal should be to provide this to every American and Senator McCain's approach to this has been to recognize that our current approach to government subsidies to insurance is not fair and doesn't provide access for everyone so he would propose to change the tax benefit for employer sponsored insurance so that instead of being an exclusion from the income tax, we replace that exclusion with a flat \$5,000

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refundable credit for every American in America. That sounds redundant, for every American. And in doing so we would expect to have a fair system.

First, if you are getting your insurance through your employer, you get the typical \$12,000 insurance policy that Katherine mentioned. In the first part of the transaction, we would appeal the exclusion and you would have if you are in the top bracket a \$4200 tax liability. That would be replaced with a \$5,000 refundable credit so this is non event. Employers, nothing changes for them. Employees can continue to stay with the policy they have if they like it, although notices some accounting on their pay stub.

For those who are purchasing outside of an employer, they now get access to exactly the same tax benefit that people have insurance through their employer have so we spread the benefit more fairly. For those who do not have insurance, this provides some opportunities to get insurance. It is not a panacea. The senator recognizes that.

We need to continue to push harder to bring costs down so insurance is affordable and to reform the insurance market itself, ultimately hoping to have insurance that is truly portable from job to job, from job to home, so that we no longer have a situation in America where families are rearranging their lives to maintain their coverage while they try to raise their kids. You have an insurance product that

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matches their lifestyle and stays with them regardless of their job circumstances and that portability solves so many problems in America and makes lives so much easier so that is the goal for the senator.

In between now and when that vision is realized, there will be lots of work to be done to maintain the existing government programs such as SCHIP where 6 out of the 8 million uninsured children in America are eligible but not enrolled, that we need to push harder on that, where we need to make sure that the individual market works better for those who are in it.

He would propose to have purchasing across state lines so we have a truly national competitive market that provides more innovative products for individuals. That will require work on consumer protections to ensure that these products are distributed appropriately. It will require work as well on improving the kinds of backstops that are available in some states but not all so that there is truly a backstop for those individuals who have pre-existing conditions and want to be insured and find themselves having difficulty.

So, senator looks forward to having a discussion like this. It is one of the preeminent challenges in America. It is important that we move toward the goal of having better care and we can achieve it at lower costs and distribute access more uniformly and fairly in America. That is his commitment in

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this campaign and hopefully his opportunity as the next president.

**KAVITA PATEL, MD:** Good morning. Thank you also for having us here and coming in this early to talk about something that is so important that, I can at least speak for myself, it keeps us up at night sometimes trying to understand how we can help make sure that health care is exactly what we feel like we know we deserve and that we can deliver in this country.

Senator Obama, what I am about to say will sound a lot like what Katherine said with Senator Clinton and that is purposeful in the sense that our plans are very similar in most regards. The goal obviously is to provide coverage to all Americans and the question with especially this morning's session is how to make sure that spiraling costs do not far outweigh and then almost destroy any possibility of having coverage.

So the basic tenants of any plan including Senator Obama's is to make sure that all Americans are covered, that we actually have a way to put some sort of a reign on our spiraling health care costs which I do not have to tell you have caused many small business owners as well as just Americans in general a lot of consternation as they see more out of pocket expenses increase for pharmaceuticals, for services and everything else, so how do we get there?

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The basic principles of Senator Obama's plan rests on making sure that choice is guaranteed so again if you like what you have, you keep it, but there needs to be a choice if you do not like what you have and that is where the trick is in the details. Through something that he is calling a national health insurance exchange, we are hoping to have an option that people can buy into that would help bring together, spread across risk pools, and actually reduce some of the costs that for example in the individual market are not currently available.

This would help also give people a choice that if they find aspects of Medicare but they are under 65 for example they would be able to buy into a plan that provides some of those benefits and also benefits similar to what some of us as federal employees enjoy in the FEHBP program.

The second part of this that I want to point out and all parts of the health care solution really one of the things that Senator Obama really feels is important is transparency so throughout all of this there needs to be an increasing mechanism for transparency in our health care system and I just want to focus on kind of a current health care transaction as an example.

Right now an individual, one of you might for example decide to go to a physician, you try to find out who is in your network, you go to that doctor's office, you may be required,

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probably required to pay something up front that you must show your insurance. You go into the doctor's room. You have a check up, what ever you need, maybe some blood, maybe another test is ordered, which you have to go someplace else to get.

You walk out, you sign some paperwork, lots of paperwork, and then you come back and wait probably 4-6 weeks for your insurer third party to deliver a statement that is largely incomprehensible for most individuals and also unclear as to where the price is and what your share and why your share is this much is very difficult to understand. That is just one example of a relatively simple health care transaction for which transparency would really probably eliminate a lot of issues around cost as a very concrete example.

Now take that a step further and look at a critical care hospitalization which, as Doug and Katherine mentioned are a large part of our costs in America, dealing with chronic illness as well as the last years' of life in most situations, that just exponentially compounds to become more complicated so an element of transparency in not just pricing of health care but quality and knowing what you are getting for when you are engaging in that very kind of special interaction of being a patient and having to support somebody who is a patient in your family.

A third part of this is efficiency. Now we talked about comparative effectiveness and some of the things that we

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can do to help make our health care system efficient. I think that one of the points of the plan is really largely dealing with transforming the way we also reimburse for health care so moving away from a fee for service system that largely incentivizes more and more and more care but really looking towards where we should be putting dollars and that includes in prevention and really rewarding primary care.

For example for doing the things that for the longest time have largely not been recognized and that includes mental health screening, looking for other opportunities to talk to patients about important things such as obesity management, smoking cessation, it's still a wondrous amazement that many insurers do not pay for smoking cessation plans yet it is solid evidence that shows that smoking is so strongly linked with so many diseases. So that is just one example of kind of efficiency but that's a very daunting task.

Senator Obama would like to try to make sure that in the process of reaching something that is efficient and transparent and guaranteed for all Americans that we come to this process with trust and that is kind of taking me to something that I read and the NFIB did a survey of its members and one of the resounding kind of comments seemed to be a sense of trust with the government and that is something deeply rooted in Senator Obama's kind of principles of how we, not just health care reform but how we really accomplish

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transforming this country in other areas as well. I think that the trust issue is where especially a dialog about how we achieve coverage and how states might choose to do so and not penalizing those states for doing so is very important.

Finally I know we will get into this a little bit more but small businesses especially as Bob mentioned, people like my father have especially felt the weight of trying to provide insurance coverage and when you only have one or two employees the fact that perhaps that employee could in a matter of weeks deal with a catastrophic illness such as a diagnosis of cancer.

And then that employer largely sees their share of what the insurance pay is skyrocket as well is a very important factor, so Senator Obama has exquisitely made a point for small business employers to have a cap on the level of catastrophic coverage above which they would not have to pay and that the government would be able to subsidize. Such to that you would not have to deal with that kind of elevated risk that could occur at a moment's notice and wipe out a small businesses' income.

So that is just one kind of set of examples of how I think the challenges are ahead of us but I think the goal, I think all three of us share a goal, have different ways of coming around to it, and once again I just want to echo that we are hoping to earn back that trust that I think some of the

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people have expressed that they do not have in the government for finding the solution to health care reform.

**ROBERT GRABOYES, PhD:** Thanks to all three of you. Let us move on to some questions now. Let us start with costs. Since 2000, health insurance premiums for small firms have increased by 129-percent, let us hear your take on why this has occurred and whether or not you think this increase can be slowed or even reversed. Take it in any order you like.

**KATHERINE HAYES, J.D.:** I think all of us touched on this and it's an issue that I think we could all find agreement on which is that there are so many things in this health care system, in the existing system of reimbursement, that rewards quantity over quality of care and many insurance companies and other self insurance plans are really taking a look at performance and looking at what procedures work, what drugs work, and making coverage decisions based on that and rewarding health care providers that do provide high quality health care.

One of the problems that we hear about is that there are some really good performance measures out there and they have been adopted and Medicare is beginning to reimburse hospitals that report on those and working with physicians to report on quality measures, but there are a number of areas, important areas, where there are not quality measures and the information just is not available to health care providers and plans to help make decisions about what treatments work and

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what don't and so all three of these plans really look at that as an issue in trying to cover what works and not spend so much money and waste so much money on treatments and procedures that do not work.

**DOUGLAS HOLTZ-EAKIN, PhD:** Yeah I think the broad research evidence is overwhelming, that we can deliver better care and not have the costs that we have seen in recent years. Certainly a way to frame this and think about it is to look at the Medicare system itself and it has got Part A which makes sure that hospitals get their money, Part B makes sure that docs get their money, Part C makes sure that insurance companies get their money, Part D makes sure that drug companies get their money, and nowhere in there is their beneficiary.

It is a reimbursement system that is not focused on the people who are receiving care. It is focused on providers and providers doing things and the goal would be to reform payment systems. Medicare would be a great place to start because it is the classic problem in America of the on paper promise for access but in many cases when doctors start turning down Medicare, they do not sign up any new Medicare beneficiaries, you do not really have access.

It is a system which pays an enormous fraction of the nation's bills and leaves the fragmentation and volume based medicine that we see so we should in Medicare change payments

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to reward quality and coordination of care. We should start and there have been initial steps to not pay for bad care. It is remarkable that we are only now beginning to not reimburse for never events, things that simply should not happen, and additional progress can be made in not reimbursing for care that does not meet quality standards.

And at the other end, we should take advantage of paying in Medicare for prevention and paying in Medicare for places where low cost coordination produces better outcomes. The most expensive people in America are depressed diabetics. Diabetics are very expensive, complicated. Complications from diabetes can be extreme and require very costly and heart breaking interventions. Depressed diabetics do not stay on their regimens and to coordinate the care and have someone putting that individual simultaneously getting the depression treated and staying on their regimen is a straight forward way to lower costs enormously and we do not take advantage of these things in America and we need to reform all payment systems to make sure that we do and get the coordination going.

If you are thinking it from a business point of view, everyone always talks about health IT, right but you need a business model where IT makes sense. If you pay for an outcome, a quality outcome, and all the providers have to get together to produce that outcome, they suddenly have a business

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model for why they want low cost ways to get together which is health records and IT.

There is a clear reason to adopt it. It will diffuse more quickly and will get better outcomes at a lower cost. Right now, the business model is we pay each doctor individually and if you've got the records, the patient has got to come to you, so we have to change the way this works so that we actually have a system, working it around people that delivers care at lower costs.

**KAVITA PATEL, MD:** The only thing I'm going to add is speaking of Dartmouth and Jack Ledford's studies of regional variation, one of the really important things that is contributing to this 129-percent is that there is an extreme degree of variation across the country in utilization and services provided for very similar diagnoses so controlling for all factors we are still seeing that in one part of the country you can spend twice as much as another part of the country.

And arguably the same standards of care should have applied so that right in and of itself in kind of an obvious place where we need to look closer at what is going on in those situations and then also coming from a medical background myself I think part of our training needs to be incorporated. This mentality of why is there a regional variation, why is there a difference in what one doctor orders versus another for something that I certainly didn't get a curriculum in, in

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medical school or in residency training, but that is absolutely essential to kind of how a doctor operates.

So I think that all of those things are to say that when you look at 129-percent there is ample opportunity to look into that and I think that is part of Senator Obama's, again going back to the transparency and efficiency side, that is aiming at that portion of costs.

**ROBERT GRABOYES, PhD:** Anyone want to elaborate on this regional variation, why does the Mayo Clinic deliver care so cheaply? Anything else to add on this?

**KAVITA PATEL, MD:** I mean there is a lot of, you know, health care, this is the kind of thoughter for researchers for decades and decades and a lot of people have kind of boiled it down to well the price is stupid and it is the cost of health care but there is so much in kind of the practice of medicine that contributes to that. Some have said that a large portion of this is defensive medicine. P

people feel largely that they need to order more tests or do X, and Y, and Z to make sure that they cover all their bases and aren't accused of anything. There is truth to that. There is also truth to the fact that there is a large part of medicine for which we do not really know exactly what to do and that is where a lot of the conversation around comparative effectiveness, but also evidence based medicine, I feel like really what this comes down to is that we do have great science

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in this country. It is not getting into the hands of practitioners and we really need to understand why that is so that is an essential part of why so much variation.

**KATHERINE HAYES, J.D.:** I think historically, one of the reasons we see such wide variations is that historically, back in the 1970's and 1980's when we reimbursed under Medicare it was based on cost and what the charges were in those regions so certain areas of the country have higher costs of living, they have higher wage indexes and they just charged more, charged a lot more for services. Some of it was related to geographic practice and expenses but some of it is not. Some of it was just inexplicable and when congress intervened in the 1980's and 1990's to move to a different system of reimbursement under the Medicare program.

The basis of those reimbursements were those old charges and so moving away from our existing system of reimbursement over Medicare, I think will solve a lot of those problems and encouraging providers to look at those procedures and practices that work and provide quality care rather than following the lead of whatever is common and customary in their community will help a lot.

**DOUGLAS HOLTZ-EAKIN, PhD:** Well I think these are good points and certainly this historical intervention by the government in these markets and the legacy of it has a lot to do with it but one of the striking things is the fact that even

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within a city, a small geography should get this remarkable difference in the cost of the same kind of care and that just really cries out for much greater transparency, much greater ability of people to make value judgements on what does this care cost, what is the effectiveness of it, better information for people, we know for example that if you look at surgical intervention for back problems versus physical therapy for back problems, patients prefer the latter.

It is cheaper. They are comparable in their effectiveness but people don't know that and so we need to embed into the delivery of quality care much more the kinds of things that go on everywhere else in the United States economy which is we know what we are buying. We know roughly what its effectiveness will be. We can shop around and look at different prices and bring that kind of discipline into the delivery of quality care as well.

**ROBERT GRABOYES, PhD:** All right let us move onto the other big issue, the coverage issue, there are approximately 47 million people in America without health insurance. Of these, 28 to 30 million own or work for small businesses or are self employed, why do you suppose the small business community dominates the uninsured and how would you candidate deal with this fact?

**KATHERINE HAYES, J.D.:** Senator Clinton deals with this by making more health insurance more affordable for small

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businesses. One of the reasons health care is so expensive is because as insurers will tell you, I'm not an expert in this area, but if you talk to insurance companies they will tell you that small businesses are more expensive to ensure.

It is a smaller group across which to spread risk and because they have a lot of part-time workers, sometimes more than larger businesses, and because you see a lot of changeover in their employees, that is what we are told. To address this, Senator Clinton in addition to the system modernizations which we have talked about to control cost in our health care system and make health care more affordable, would give small businesses an additional option.

They would be able to purchase health insurance coverage through a purchasing pool and self employed individuals would be able to do that as well. To get the same benefits and economies of scale and to have the same sorts of choices of affordable health care that is not subject to pre-existing condition limitations, many of these small businesses at least in my brother's case couldn't provide health insurance.

He couldn't buy health insurance because of pre-existing conditions and so this would address that issue for small businesses and bring down the cost, plus Senator Clinton's proposal does provide a tax credit to small

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businesses to help them provide health insurance coverage for their employees.

**DOUGLAS HOLTZ-EAKIN, PhD:** This is the place where the opening remarks become most pertinent, which is that if you do not address the cost growth issues in the United States, you will never address the availability of insurance for those who work in small businesses. If you somehow took the 47 million, say 50 million Americans who are uninsured and ignore the fact that there are many different reasons why they are uninsured and they are not all the same, but somehow force them into the insurance pool, imagine that you could even somehow collect \$3,000 from each of them in the process so you get them in the pool, you get some more money.

You have got \$150 billion, which sounds like a lot of money and you can use that to somehow cover these costs but that is about one, two years cost growth in the U.S. medical system so if you somehow did that, in two years you would be right back in the same problem. Everyone would be in the pool but the pool is getting too expensive and ultimately people are forced to buy something that they cannot afford and doesn't cover the quality of care so you cannot separate the importance of the rising cost growth which is at the heart of all the problems from getting coverage more broadly available to everyone.

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So, Senator McCain's focus has been on as I mentioned the cost growth but you can do a lot of insurance, they have prepared as I mentioned once to make sure that every American has access to money to support the purchase of health insurance, that access should be fair across the nature of your employment whether you are self employed in a small business, in a large multistate corporation, in the same way that you would want to have the same tax benefits for everyone regardless of income or employment status, you would want to have the same kind of opportunities as the large multistate employers do so they can move across state lines under the current law.

Senator McCain would like to have every small business and everybody be able to purchase health insurance across state lines and build a genuinely competitive national market for insurance so that we get greater competition, we squeeze out the kinds of behaviors that lead to excessive worker compensation and the kinds of things we have seen in the insurance market, you get rid of the balkanization that may in fact underlie part of the practice pattern differences and you build a much more vigorous insurance market for the future, with the goal to ultimately have a world in which people have affordable insurance that really does not rely so much on the vagaries of their experience in the labor market.

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It would be nice in America for every mother to be able to say try my pediatrician, because I actually have a pediatrician because I haven't had to change five times because of their insurance and that would be a goal that the senator would like to see us achieve.

**KAVITA PATEL, MD:** I'll just add that a recent rand study looked at when you asked Bob why a large majority of the uninsured are small business members, a recent rand study looked at just employers and how insurance premiums have affected employer share of those costs and it showed that small businesses disproportionately bear more of a brunt compared to their large or midsized employer colleagues and that is exactly the heart of the issue, it is really difficult when starting a small business and continuing a small business but then also tried to play in the same pool where you have a distinct disadvantage.

So Senator Obama would like to see that disadvantage taken away and in fact options opened up so that purchases could be made that are more affordable but that are also more flexible so right now there is not a lot of choice in the market in some places and that is really difficult for employers to try to offer something that they would feel comfortable taking themselves so that needs to be kind of turned on its head and then also looking and understanding at why it is that large and midsized employers have been able to

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do things like spread across the risks and obviously numbers speak to that issue but I think for awhile we've just been kind of unaware of what small business employers have had to deal with and how they have been bearing that brunt and that is largely why they reflect a lot of the uninsured population. I do not think it is a coincidence that occurred.

**ROBERT GRABOYES, PhD:** Okay we have talked about cost, we have talked about coverage, one commonly hears of a political division between those who care mostly about costs and those who care primarily about coverage, and when one hears that, let us explore this. Within the political sphere is that a real division and is a changing and let me tack on at the end of this multipart question should we tackle costs first, coverage first, or do we have to do them simultaneously? Who would like to start? I think we have established an order.

[Laughter]

**KATHERINE HAYES, J.D.:** We are used to it. [Laughter]  
I think Senator Clinton believes very strongly that you have to address the issues simultaneously, that you cannot just expand coverage without doing something about cost because our current system is unsustainable. We are seeing such a rise in health care costs but at the same time because of cost shifts and because of the problems of the uninsured coming into hospital emergency rooms or going to clinics and uncompensated care is

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driving up costs for the entire system, plus folks are not getting early intervention when they need it.

They aren't getting the primary care they need. They are not getting the prevention services they need and they end up coming into our health care system at a time in which it requires serious and expensive interventions so by addressing those issues simultaneously, she believes that we can get a handle on the cost and coverage.

**DOUGLAS HOLTZ-EAKIN, PhD:** To the extent there is a choice, I think the issue becomes one of asking what are you trying to achieve in pushing a transformation of the health care system. And certainly one of the things you would like to achieve would be durable success and to the extent that you place the goal standard as 100-percent of America insured and you drive toward that in a way in which Senator Clinton does with a mandate.

You run the risk of forcing people into an insurance system that covers a bill that is too large for what we are getting and rising too fast ultimately that runs the risk of near turn declarations of success, we have got everyone covered, and a few years later when their bill is exploded and they cannot afford it, you get people very unhappy with the outcome, that is not a durable success so Senator McCain has focused his efforts on placing a primacy on the control of costs, spreading access to quality, health insurance, and

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making sure that you have the power of individuals having some transparency and be able to identify value and reforming the system in that way so that the reforms that come out of that are durable, lead to a world in which the health care system has been transformed to practice medicine in a different way, insurance is more broadly available and he is quite honest about the fact that if at that point we still need further efforts to ensure that every American has the quality health insurance that they need, then he is open to reforming in additional ways.

**KAVITA PATEL, MD:** Senator Obama would say the answer also is simultaneous and that I think is something probably you'll hear time and time again. You can not just do one without the other. The devil is in the details of how to do that and that is exactly where Senator Obama feels that his plan is very, very comprehensive in dealing with not just the issue of coverage and affordability but the quality piece as well and that is critical.

**ROBERT GRABOYES, PhD:** Let us move on a step farther on this, could you please characterize your candidate's views on the rights and the responsibilities of employers in health care? We know where to start. [Laughter]

**KATHERINE HAYES, J.D.:** Yes, Senator Clinton has made it very clear that she believes that we cannot really get a handle on cost and quality and coverage in our health care

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system without shared responsibility and that shared responsibility includes employers and she would, as mentioned, she would require large employers to purchase health insurance coverage for their employees but most large employers do that now.

She does recognize the difficulty that small businesses are facing in getting quality affordable coverage for themselves and their enrollees and so instead of requiring them or mandating them to purchase health insurance coverage, she would provide incentives for small businesses and give them greater options in health care and so she sees that as sort of a shared responsibility and I think that's where it should go.

**DOUGLAS HOLTZ-EAKIN, PhD:** Senator McCain has the belief that what we need to have is a more open, a more transparent, a greater availability of insurance options for employers and employees alike. He would like to see employers who currently are offering insurance and many of them are typically self insured, have the opportunity to continue that coverage because cost growth is not so great.

And they do not feel that their ability to both compete internationally and provide their employees with the compensation package they like is threatened so he is trying to make sure that the American family can get out of bed, go to work in a firm that is not burdened by health care costs, is not scared that their health insurance is going to disappear,

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and that the fabric of the employment bargain is not threatened by our health care system in general. That is his primary focus.

**KAVITA PATEL, MD:** Senator Obama has very similar, is very similar to Senator Clinton in a sense of shared responsibility with also the acknowledgement that not all small businesses are going to be able to contribute to costs of insurance for a lot of employees as we have already mentioned in the past hour and for that reason small businesses also, depending on their threshold and income, will also be exempt, but again in order to make sure that there is a way to have something that is affordable, this would definitely be a shared expectation of employers to be able to either contribute by providing direct insurance or contributing again as I mentioned to the National Health Insurance Exchange Program that would serve as kind of a bridge between public and private options.

**ROBERT GRABOYES, PhD:** Okay. We just talked about the employers' responsibilities. Let us now shift over to looking at the rights and responsibilities of individuals in health care.

**KAVITA PATEL, MD:** So in terms of rights and responsibilities there is a lot of debate, I am going to go back again to the organization survey where there, again I think it speaks to the simple trust in government and in general but in a lot of sense of whether or not people should

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be subsidizing health care coverage for persons that undertake what might seem to be kind of self injurious behaviors or practices which are risky and put them at health risks.

This is something that Senator Obama in his health care plan has made very clear that is a prime place for a role of prevention and for actually having public options and so in terms of what an individual would need to do, we would hope that having something that is affordable and that really provides the kind of care that would incentivize prevention and some of the behaviors to reduce the risk of things like obesity and smoking, a lot of the other activities that we know are contributing to our chronic diseases are very important for individuals to have so that you still have a choice.

And that like with all choices you can choose to not have insurance, you can choose to actually decide that you do not need health care but actually when you look, most studies have shown that when individuals are faced with trying to purchase health care insurance, it is out of cost that they decide and decline to actually get insurance so when that cost is contained and is affordable that we do believe that individuals will make the choice to have that insurance.

For children for example, we feel like that is not really a choice that they can make so Senator Obama's plan does have a mandate for children to have health insurance and that is an important aspect.

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**DOUGLAS HOLTZ-EAKIN, PhD:** This will be an enormous undertaking. Senator McCain understands that. What he is asking for every aspect of the health care system to change the way it does business, doctors, hospitals, device providers, drug companies, insurance companies, state and local governments, federal government, everybody is going to have to change and he is perfectly equipped and willing to take on those parochial interests which have in the past stymied a better approach to health care in America.

In exchange, though, Americans also have to have some sense of responsibility. In particular it is important for parents to teach their children the kinds of things that we now know are important about their lifestyles, their eating habits, it is a responsibility of parents to ask their schools what they are serving at lunch and what is in the vending machines and why don't we have gym classes or any focus on physical education in schools?

And in the same way that you mentioned, people have a responsibility with their own lifestyles, smoking, obesity, the kinds of things that have clearly led to the rising incidence at younger ages of chronic conditions are all well within the total individuals and it is their responsibility to recognize that and take steps that would benefit them enormously and take a lot of cost out of the health care system.

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**KATHERINE HAYES, J.D.:** I would just like to very briefly if I could do two things, one is just quickly mention Senator Clinton's position on this but then I would like to take off my Senator Clinton hat and just talk briefly about my perspective as a senate staffer the last time we did health care reform in 1993 and 1994.

First, Senator Clinton did not put an individual requirement to purchase health insurance coverage in her health care reform because she likes to mandate things on people. She did not do it because she thought it would be politically possible. It is not, but recognizing that if we are going to stick with the private versus a public health insurance system, and you want, recognizing that you want everybody to be able to buy into the system no matter how sick they are, you can not open up the door and tell insurance companies that they have to take everybody and you have to charge everybody a reasonable premium if people can wait until they are sick to buy coverage.

That business model just won't work so that is why she came down with the proposal that she did with an individual requirement and shared responsibility, but taking off my Senator Clinton hat, back in 1993 and 1994, I had the privilege of working for John Chafe who is a republican and chair of the republican health care task force and then he went on to work with Senator Brow from Louisiana to put together a bipartisan

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mainstream coalition and tried to pull together a health reform proposal that could pass the senate although we failed.

We had a strong group in the middle and all the right hated what we did and all the left hated what we did. We even had t-shirts printed up with a little donkey and a little republican on the back with a footprint that said "Kick me!" because nobody liked them. [Laughter] And when you look at trying to come up with health reform proposal and consensus proposal that can pass, you cannot be naïve or close your eyes about this.

Every stakeholder has got to be at the table and without an individual requirement to purchase health insurance coverage, if you are going to stick with the private sector you would have and I guess this is sort of what happened in 1993, John Chafe and Bob Dole, the republicans put out a proposal I think over 20 or 30 republicans supporting an individual mandate in health insurance coverage.

The republicans were the first ones to put the individual requirement on the table because they recognized that you cannot do the kind of insurance market reforms that you need to do without requiring everyone be in the system but at the end of the day the compromise that the mainstream coalition came up with and moved out of the senate finance committee did not have an individual mandate in it but it had the rating reforms in it and the insurance company, insurance

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industry spent millions of dollars trying to kill it and they were ultimately successful.

So I think at the end of the day you really have to look at all stakeholders, see them all at the table and if you have rating reforms in there without an individual requirement, then you are not going to pass health care reform so you are going to have to compromise somewhere. You either remove the individual mandate or you allow insurance companies to discriminate based on health status and maybe if you want to get people in the system you have some sort of public pool that costs a lot of money to pay for the sickest people but there aren't that many ways to slice it so that having been said -

**ROBERT GRABOYES, PhD:** If I can put a plug in, we did another forum three or four weeks ago on the subject of individual mandate, it was a very broad reaching panel of stretching left, right, libertarian, you name it, and it's worth looking that up on the Kaiser site so I hope some of you might do that. Actually I would like to - we have got ten minutes more or so, so let us move onto the next one.

Okay the big question, each of the candidates you are representing has presented at least the framework of a health care proposal, should your candidate win the presidential election and have the opportunity to introduce his or her plans for reform, how would they propose to pay for it? That is a

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big question for the businesses. Shall we go back to the usual order?

**KATHERINE HAYES, J.D.:** Sure. Senator Clinton estimates when she put together a proposal she knew that one of the first questions and from my perspective I would have to agree, she is held to a higher level of scrutiny sometimes because she knows a lot about health care and so she felt it was very important to present what she thought were reasonable estimates of her health care reform proposal and lay out a way to pay for it.

I wish that I had brought the sheet in front of me, with me, that has the costs and the paper work laid out. I will try to do it from memory but I can not remember the exact numbers, but I think she estimated that her health reform proposal when fully implemented will cost about \$110 billion a year and it would be funded through a series of ways, I think she estimated that about \$25 billion of that would come from system modernization, savings in the program by improving quality, the same sorts of initiatives that all three candidates have supported.

That is a very conservative estimate, you know, we looked at all the studies that were out there and tried to estimate what the savings would be from e-prescribing, what the savings would be from health information technology, what the savings would be from a reformed reimbursement system that pays

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more for quality than cost and I think the system modernization came out to about \$26 billion. There were some savings assumed from reductions in payments for the uninsured through the Medicare and Medicaid programs.

Both of those programs have formulas that pay hospitals based on the amount of uncompensated care that they have and as you go to a system in which everyone, or virtually everyone, has health insurance coverage, those payments in Medicare and Medicaid will automatically be reduced and I am sorry I am getting a little deep in the weeds of [inaudible] here.

**ROBERT GRABOYES, PhD:** We like that.

**KATHERINE HAYES, J.D.:** At any rate, so there is an assumption and I cannot remember the exact number, maybe it was \$17 billion in savings from that and I know there were savings from rolling back some of the Bush tax cuts for individuals with incomes greater than a quarter of a million dollars a year and beyond that I do not remember the rest of the pay force but I would suggest that you go to her website and look in the, there were three different proposals, the one that addresses coverage has the cost estimates at the very end of the coverage paper.

**DOUGLAS HOLTZ-EAKIN, PhD:** Senator McCain's approach is not centered on the government and so the primary impact is the tax change and distributing the benefits for having insurance. That is designed to be a budget neutral event to repeal the

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exclusion and replace it with refundable credit and that is the primary impact of his plan.

**KAVITA PATEL, MD:** Senator Obama's plan has been estimated to cost between \$50 to \$60 billion to implement and similar to Senator Clinton, some of the tax credits would be rolled back. Another piece of the financing would also be implementing, like drug negotiation, pricing for drugs so that we know we can leverage, just like the Veteran's Affairs system does and other closed systems do.

We can also really kind of leverage a lot of consumer price based on drug costs and so that is a couple of mechanisms, health information technology as well as come of the cost efficiencies that we talked about earlier in the morning. The other piece of it as we mentioned is a sense of shared responsibility so there would be a portion of that, that would come from employers who would not have otherwise been able to provide insurance but that will be paying into the public private and public option that people would be able to have, but \$50 to \$60 billion and again the website has some of the breakdowns of the cost savings.

And I actually would encourage you to go to some of the other websites, the other non profit sites such as the Kaiser Family Foundation has put out that kind of compare the cost savings and all of the issues of how that \$50 to \$60 billion adds up.

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**KATHERINE HAYES, J.D.:** And I would also point out that I do not think anyone, any independent expert has done evaluations of the plans. I haven't seen anything. These are all just estimates from the campaign.

**ROBERT GRABOYES, PhD:** We have got time for one more from me and then we will get to the audience. You talked about individual, the rights and responsibilities of individuals, when I am not at NFIB, I teach some graduate courses and students are mostly doctors, nurses, health administrators, and probably I would guess 50-percent of the class discussion over the semester really comes down to how capable are individuals of having input into their health care decisions? A lot of the doctors, I will do it for them. But I think part of the health care reform discussion revolves around how much responsibility can you give to individuals versus how much has to be taken by government, sort of top down decision making. I wonder if you might talk a little bit on that?

**DOUGLAS HOLTZ-EAKIN, PhD:** Well I think that the senator's belief is that you have to have a tremendous amount of faith in the ability of Americans to make decisions for themselves. That is a tenant of life in America. It is one of the principles on which the nation is founded.

And in health care, which is complicated and where the stakes are quite high, there is obvious reasons why you would want to be concerned about the quality of the decision making

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but there have been efforts, research on this that look at these things. I mentioned earlier the evidence on treatment of back problems. The folks at Dartmouth have gone through and looked at what happens if you give people a DVD or you give them access to a website, you sit and talk with them about treatment options, you compare the decisions they make with the decisions that someone will make for them and what you find is that they make high quality medical decisions.

They understand their options and they make good decisions and they do not always choose the most expensive thing and they choose wisely so that is more reinforcement of the basic idea that you want to infuse the system with lots of information and transparency, certainly you want access to experts but you can count on individuals to be involved in that process as well.

**KATHERINE HAYES, J.D.:** I think Senator Clinton too wouldn't have the government making health care decisions. She would leave it up to the individual or allow the individual and you know she thinks that it is a responsibility of individuals to play a more active role in their health care decisions.

I think the problem right now is that I know for those of you who have had illness, when you go into, when you are told by your physician that you are going to need an operation, you know, a lot of people their first response is not to question their physician and it isn't to go and get a second

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opinion, it is to trust your health care provider, and if someone gives you a high deductible health plan with a health savings account or without a health savings account, the assumption that your average consumer, I know I could not.

I consider myself pretty savvy in health care. I know I could not look at data on costs in our region and decide which hospitals and which providers are the best and which provide the most cost effective treatment because frankly it is just not available in a consumer friendly way. And so Senator Clinton does support giving consumers consumer friendly information, not as a means to cost shift to the individual and make them make those health care decisions based on how much skin they have in the game, but instead to really take a look at making sure that we have the quality information that we need, make sure that it is made available to consumers in a way that they understand.

They can look up and see which of their physicians online would be board certified in their areas. They can make decisions based on which physicians have gone the extra mile and are meeting performance measures, which hospitals are doing the things that they need to do that we know work and also have the cost information available to them but again you cannot just throw people into the health care market place today. It is a night mare. It is like throwing someone in the ocean and expecting them to swim to shore. You just can not do it and so

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she does support making it available, but making it available in a way that makes senses for consumers.

**KAVITA PATEL, MD:** This is where I am just going to deviate a little bit but Senator Obama feels very strongly that when talking about the issue of information and what an individual could or should do, we should also take a very strong look and remember how populations who are not able to make these decisions either because of issues around literacy so health literacy, communication, we have such a diverse nation, and there are a lot of issues around health care disparities, which make it very difficult for some people to even have the ability to make a choice about which doctor to see or which hospital to go to.

So that is just one point that I want to echo that is especially in Senator Obama's plan would be dealt with by kind of tackling kind of head on the disparities and issues. Not to segue then, back to the individual, I think that one thing that I learned in training in medicine was that when you are dealing with anybody in a health care situation, all bets are off. People are not at their, they are just not at their best judgement and rightfully so.

I mean, even myself if I am in a position where I am a patient and I am being delivered any sort of diagnosis whether it's as mild as you have got a viral cold to something as dreaded as cancer, you just are not able to make decisions the

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way that you would when you are going to Best Buy and picking out an mp3 player so it is very difficult, just as Katherine said, to throw someone into that environment and expect that they would have all the available, even if they had all the available information to make the best possible decision.

So having said that, that is also an area where I think the relationship between the health care provider and that team concept of having a supportive environment where you actually do have a primary care provider that you can count on, someone that you know, someone that you know will be able to tell you, you know what, it's okay Kavita. This is just kind of your usual flare-up of your sinuses. Do not worry about it. It will be alright or you know what, you need to come in and this is something that I trust you will do.

And so that, but that right now isn't really accessible to most Americans and so in dealing with kind of what an individual has to face that really needs to be, there really needs to be a dialog with that decision goes on, not just in a silo. It is really not just about that individual. It is really about the system in which we provide health care for that individual.

**ROBERT GRABOYES, PhD:** Anyone got anything? Well with that, why do not we turn to you folks? I see some questions. Shall we have them stand up here so they can be on camera too?

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**JACK STRAY:** I'm Jack Stray, National Center for Policy Analysis, the individual and small group market historically has always been the domain of the state legislature for good or bad, the plans that most of you are looking deal with kind of what federal I do not want to say take over because that isn't what it is, but there is a lot of innovation going on right now in the state, some of it good, some of it bad, how would your candidates address the domain issue, I guess you could say, of the regulation of the individual and small group market which is what we are talking about?

**KATHERINE HAYES, J.D.:** I think Senator Clinton's proposal and none of these health care proposals goes into the level of detail that you would need to really have to write a bill. That certainly will be left to congress to make a lot of these decisions but Senator Clinton's proposal would build on the same model that current insurance laws are, with HIPA for example, and set a minimum federal standard for plans that are offered through the Federal Employee's Health Benefit Plan, so it would retain the traditional responsibility of states to regulate health insurance coverage but set a minimum federal floor for those plans that are offered through the purchasing group.

**DOUGLAS HOLTZ-EAKIN, PhD:** Senator McCain has made the decision that it is important to have a broader, deeper insurance market and as a result would allow individuals to

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purchase insurance across state lines and that is a decision he made about a year ago in looking at the tradition of federalism versus the needs to have improved insurance in America and so his plan would in fact change that domain. States would be left with responsibilities to consumer protections and fiduciary soundness but the markets would have to change under his plan.

**KAVITA PATEL, MD:** Senator Obama would have a similar approach to Senator Clinton's in the sense that there would be kind of a floor that a public private option would create but that states, for example Massachusetts who choose to have their own state plan and have their own system through a connector would still be able to enjoy some of the tax credits and some of the other opportunities that at federal level that floor would provide.

**LAURA METLER:** Thank you. I'm Laura Metler from the *Wall Street Journal*. There is obvious differences on the access side among you are clear and obvious to those of us who have followed this debate, on the cost side I would like to know, you have all talked about cost is an important part of the equation and I would like to know what the differences are, if any, among your plans, and what each of you would say that you would do on the cost front that one or two of the others would not. Are there differences or are you all just more or less talking about doing the same things?

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**KATHERINE HAYES, J.D.:** I think there are some minor differences. I know that if you look at our estimated savings on cost containment, I know Senator Obama has made a big deal of the fact that they are more aggressive in cost containment than Senator Clinton is, and I think that is more a function of when a bunch of us staffers were sitting around and trying to put together the cost estimates, we were trying to be very conservative in what we thought they would say.

If you look at the actual proposals that are out there to do cost containment in our health care system, I think they are very, very similar. There are a few minor differences. I know one for example Senator Clinton has been a league on legislation in the senate to require or to allow FDA to approve safe and effective biogenerics. I do not think that was in either of the other original health reform proposals.

Some of the candidates may have talked about it since then. I think Senator Clinton and Senator McCain have both embraced e-prescribing and perhaps Senator Obama has now too. That is something that has a good chance of passing this year as part of the Medicare bill. I know that it is being discussed.

Senator Clinton would not pay for under federal programs, the Bush Administration has already implemented it but she would apply this also to FEHBP for non payment of never events, those things that should never happen in our health

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care system, like a wrong side surgery, the wrong leg being operated on, or being removed. There are a number of other things that are in there. I think there are a lot of similarities however. I think those are just a few of the key differences but I do not know that any of us disagree on whether they should be done or not. I think it is more an issue of it having gone in the plan that was put down on paper.

**DOUGLAS HOLTZ-EAKIN, PhD:** I think there are a lot of similarities because the research that has evolved over time is a bipartisan, it's not a partisan issue, it is about the sources of costs in the system that are just shocking and are available to be driven out and provides quality care so the real issue is strategies to get there and what is the approach?

Senator McCain's approach is to look at the kinds of things that have worked in other parts of the economy, the power of giving people information, letting them choose on their own to drive out regional differences in cost, let people migrate, provide more flexibility in the delivery care so he is very supportive and thinks we ought to make sure that payments are available for walk in clinics in Wal-Marts and the CVS's so the people who do not have to take half a day off work and lose money just to have an ear infection check, that we ought to try to give that kind of flexibility and he is prepared to go to the kinds of things that really drives some of the problems and in particular Medicare payment systems have to be reformed.

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And the idea that somehow by statute you cannot consider costs is something that simply is going to have to be addressed. We are going to have to take a look at those silos and make payments on an integrative basis for outcomes and not pay for bad care. You know, people get readmitted with the same program in a way that was preventable, then they shouldn't get paid twice so there are things that Medicare drives a lot of the fragmentation. It is part of the problem. It is a bad program and it needs to be reformed and that will save beneficiaries lots of money in premiums in the process so that is a good thing to do.

**KAVITA PATEL, MD:** So the cost containment, back to kind of the point of many of the similarities, that is true. The subtle differences are exactly as Katherine mentioned, all three I would say embrace kind of the notion of health information technologies, question of to what degree that needs to be rolled out when only 15-percent, currently 15-percent of providers have a fully functional electronic health record of those capabilities is again a question of how to do that quickly and also make sure that you contain costs in doing that quickly.

Another piece of this is comparative effectiveness so I will just highlight Senator Obama's plan would really kind of target in on some of the procedures and some of the areas where we know we have high costs as well as some of the processes of

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care like the intensive care unit hospitalizations and looking at how we can make sure that we reduce, again going back to the variations in spending, reducing some of that variation so that is one, kind of I just want to highlight a sentiment of cost containment that Senator Obama would say is a difference as well.

**LAURA METLER:** Can I ask a quick follow-up, very quickly, would the two democrats here support Senator McCain's idea of making payments through Medicare in one integrated payment for an episode of care or for treatment of a patient that would be shared among many providers, which would be a pretty big change and perhaps change the way health care spending is done in Medicare.

**KATHERINE HAYES, J.D.:** I think Senator Clinton would support the development of those models in areas of the country where it makes sense. If you are asking if she is going to require, as a condition of participation in Medicare that you be in a managed care plan or something similar, no she wouldn't do that.

I think she recognizes that there are tremendous variations in health care delivery across the country for a number of reasons, adequacy of providers whether there are enough providers in an area, what the markets look like, but certainly she would support changing reimbursement to promote innovative models of care that do include quality that promote

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primary care, that promote prevention, and promote a team based and coordinated approach to health care.

**KAVITA PATEL, MD:** For Senator Obama, in referencing on this notion of bundling of services, there are some things that Senator Obama would feel that makes sense for in some disease areas, a great example of what they are doing in Medicare around end stage renal disease is a place where that makes sense, but that does not necessarily make sense for every type of disease and every episode of care.

So the bottom line answer is that there would not be support for doing that type of bundling or looking at that type of payment for every aspect of medicine and certainly not as a requirement to be a Medicare either a provider or even a beneficiary, but that the bundling of services and the idea that chronic diseases do have kind of a continuum of care and that should be looked at is something that Senator Obama would support in transforming the reimbursement system so that we reward again prevention and the wellness aspect of dealing with chronic diseases early on, especially in Medicare, would be rewarded as well.

**ROBERT GRABOYES, PhD:** In that question, these two are asked to follow-up. Do you have a follow-up on the follow-up?

**DOUGLAS HOLTZ-EAKIN, PhD:** I think they are coming to Senator McCain's position. That is a good thing. [Laughter]

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**MALE SPEAKER:** You talked about cost containment and changing reimbursement but I have not heard anybody address one of the ways that insurance companies limit their exposure and therefore to some degree keep insurance premiums down and that is by placing limits on the amount of reimbursement that is given to physicians and the result is as we have seen with Medicare, there are physicians who are dropping out of the system who are simply saying I do not want to play anymore under Medicare because they do not pay me enough for the service or there are physicians dropping out of participation in the private health market because they say I do not get paid enough, it takes too long to get reimbursed by Aetna, Blue Cross, whoever, what if anything would your respective candidates health plans do to address that issue?

**KATHERINE HAYES, J.D.:** I am not quite sure I am following. I think that Senator Clinton would agree that we need to reform the way physicians are paid under Medicare, that the current system in which we go in on a piecemeal basis every year and put more money in the system to keep an across the board cut from taking place, that is not a part of her health reform proposal.

She did not address it as part health reform but would certainly I assume would support some sort of reform of physician reimbursement under the Medicare program. Her health reform proposal, though, does not prescribe how private

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insurance would pay health care providers. She in the Medicare program would reward systems of care, innovative systems of care that improve quality, and if that is more than emphasis on primary care to get more money to primary care docs, more emphasis on prevention services, she certainly supports that.

And the assumption is, as we have seen historically, that as Medicare goes in many ways, private health insurance goes, and at the same time Medicare often adopts innovative things that they see going on in the private sector, so I do not see a significant change in that. There would be a change in general reimbursement under Medicare and federal employee's health benefits programs to reward the kind of outcomes that you would like to see but she doesn't prescribe to private health insurance plans generally how they would pay health care providers.

**DOUGLAS HOLTZ-EAKIN, PhD:** Neither would Senator Clinton, or Senator McCain, whoever I'm working for this morning. [Laughter]

**KAVITA PATEL, MD:** I'm trying to not wear my personal hat but I just actually put that on first so I left practice not because of reimbursement rates but of frustration with dealing with so many different payers. I had different sets of forms for every single patient and insurance and then prior authorization forms for different tiers of benefits so that one person could get the purple pill but then two patients over

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they couldn't get the purple pill unless I filled out two other forms to fax over which to a pharmacy whose fax machine was broken and the computer, the pharmacy was generated and connected to the health insurance plan was also not working that day.

And that resulted in hours of frustration every single day that I would say probably every single person who sees patients with more than one insurance provider in this country are frustrated at so that is my personal hat and that is why I left work in policy and I am not sure which is more frustrating. [Laughter] I guess I'll have to figure it out at the end of this year.

Having said that, that was my personal angst that I got out, so Senator Obama, in dealing with seeing physicians and having people that advise him in understanding how complicated this all is, is even more committed to this process of transparency. It really is just mind boggling that it makes no sense that there is such large discrepancies across how insurers bill and how we process information.

And just the transaction, going back to just health care is all this data that is changing hands, if you think about that it is staggering where we do not have health information technology or electronic prescribing or mechanisms to even capture data on quality so that providers can feel like at their fingertips they know what they need to do so just to

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get to your point, Senator Obama would strongly say that all of this is coming around to where efficiency and transparency would help and that doctors have joined Senator Obama in saying, a lot of physicians have said yes that is exactly what we need and we welcome that change.

**ROBERT GRABOYES, PhD:** We've got a bunch. I have already pointed at three people here. We are getting a little short on time so keep the questions brief. I think you were first.

**PAUL BENNETT:** Hi, Paul Bennett with American Benefits Council, all three of the panelists I know from your bios have had hill experience and Katherine you have had the added advantage of having gone through health reform as you said the first time around, other than on the process or politics aspect of this tough issue, I wonder if each of you could just give us your thought on a policy feature of the proposal that you think builds on some of the lessons learned from the last go around that gives your candidate's plan a higher degree of success this time than what we went through last time.

**KATHERINE HAYES, J.D.:** I think that Senator Clinton certainly would be the first to admit that she has learned a lot. It would be I think some of the very important policy differences between the Clinton Health Reform Plan in 1993 and '94 and the Clinton Health Reform Plan today are very different.

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First of all there are no mandatory purchasing alliances that people would have to go through. There are no mandates on small businesses to provide health insurance coverage for their workers but I think most importantly and again I want to sort of take off my Clinton hat if I might and go back to my perception as a staffer back in the 1990's but I see a real sense of willingness to work very closely with congress to put together a proposal.

I know yesterday afternoon Senator Clinton made a comment that got a little bit of press in Oregon, I think someone asked her if she would sign the wine bill if it were sent to her and much to the consternation of many people on both sides of the aisle, she said yes if there is a consensus based proposal that comes to my desk as president and I cannot paraphrase her because I didn't see the quote, I just saw the reactions from both sides.

But I think she would, just based on my experience as a former staffer and the limited interaction I have had with her is that she is very open to working with the congress and finding a health reform proposal that could be reported out, would be supported by the committee chairman, and defer to them on the details of the proposal, recognizing that there are a few basic tenants that she believes in that need to be incorporated but I think that is a key issue as well.

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**DOUGLAS HOLTZ-EAKIN, PhD:** I think the senator's view is that we should not view this as you send a health reform proposal to the hill and certainly you do not send it to the hill and do things like hold votes open for nine hours in the middle of the night and beat people over the head to get it through, that is not an effective way to legislate, it is not going to address the fundamental problems that we see in the health care system.

Instead, you have a vision for where we need change, all these different aspects, and this is a sweeping transformation to allow American families to feel protected and secure in their insurance and care arrangements and you work on a steady fashion over the course of the opportunity to have your president in order to achieve that. That will be of necessity incremental, it will involve taking advantage of what we learned from the states, it will have to involve by its very nature the ability to reach across party lines and get things done and his view is let us have a good healthy debate about where we want to take the American health care system and its financing and then let us roll up our sleeves and get to work, do it in a practical fashion.

**KAVITA PATEL, MD:** Senator Obama would tell you that is exactly the point of why the past health care reform has been kind of made and people taking orders over the issue is exactly the reason that this time it has to be different and the

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difference is in making sure that even those members of congress and all the way down to city and state legislatures and governments have a sense that they are able to contribute to this voice that has been growing and growing for the desire for health care reform.

How do you do that in a short order of time is very complicated but that is why you have seen very senior leaders in health care like Senator Kennedy support Senator Obama because they know that as committee chairmans that have the ability to move these bills through a committee and to also listen to both sides of the aisle on committees and to what their constituents are telling them as part of this process and then communicating that with a nimble and flexible White House administration is critical.

Another piece of this is also making sure that our colleagues in the congressional budget office have also dialogued on how we are looking at saving and how we say that prevention will save money over the long run, etc, so that is an aspect of Senator Obama's plan that would really be kind of putting the foot forward in the step for progress while insuring that there is trust amongst all of the agencies as well as entities that have a vested interest in health care.

**ROBERT GRABOYES, PhD:** Okay you next and again the time clock is ticking.

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**FRANK PARK:** My name is Frank Park and I'm in the private sector of small business, the name of the company is Physician's Total Care. We supply medications to physician offices but I would like to focus on outcomes and quality, I'm going to weave together three thoughts that I've heard here before. One, the regional variances of care, while there are variances I did not hear any address in terms of quality outcomes.

Two, payment for quality seems to be finally evolving where we are stop paying for errors and we start paying for a gold standard. The third thing is transparency, that we publish the data, therefore I would ask the question of what the candidates would support in terms of should publication of data be on an individual private basis or should there be a gold standard setting body of some nature, be it public or private for that basis?

**KATHERINE HAYES, J.D.:** If you are talking about quality information, not private health information, of quality and outcomes certainly, I think that Senator Clinton's proposal does address all of those. One, in terms of the variation of practice, her proposal would provide some initial federal funding to allow for the prioritization and development of outcomes measures.

I know that is happening in many areas but as I mentioned before, there are a number of areas that experts will

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agree, we just do not have the information that we need that providers do not have to know which treatments work and which treatments do not work, so she would certainly provide funding for the independent development by medical experts of that information.

With respect to payment for quality, she is supportive of that. Her proposal is a little different from the current Medicare system. She spent a lot of time in putting together her proposal talking to physicians groups about how they would really like to see quality improve and one of the arguments they made to her is that laying another system of quality reporting on top of everything they already have to do would place such an incredible burden on them that they would just feel smothered in their practice of medical care.

And one of the things that they have advocated for is taking a look at some of the innovative things that the American Boards for Internal Medicine are doing right now, looking at really beefing up the board certification for health care providers instead of just taking an exam. They are starting to put in place virtually across the board in speciality groups something called maintenance and certification which would include an exam, it would have peers, your peers coming in and taking a look at your medical records to see whether you are adhering to consensus versus outcomes

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measures, it would take a look at patient satisfaction, how well they are communicating with patients.

And if all of those things check off in the physician's medical practice, they would receive a certificate, a maintenance certificate for their board certification and so she would propose rather than having health care providers report on quality for every single thing that they do, bumping up reimbursement for health care providers that have this certification and the boards of internal medicine are exploring ways to make that information publically available so you will know which physicians have their certification, not just your standard board certification but the sort of bumped up maintenance of certification process and ultimately how they do.

Those negotiations are still going on between the boards of medicine and the physicians but how well each physician performed as they sought this maintenance and certification so she is sort of looking to that type of model for health care providers and looking at the same sorts of models that are existing now in Medicare in terms of reporting on quality measures, outcomes measures for hospitals.

**DOUGLAS HOLTZ-EAKIN, PhD:** Briefly, there is a clear need and an appropriate place for the government to provide standardized coding of treatments outcomes so that there is some ability to get uniform measurement across the country and

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there is clearly I think an important role in moving toward a comparative effectiveness of capability in the system to have a certification that your drug trials are done in accordance with scientific standards, that the evidence that people are presenting can be checked as being appropriate.

Past that, you really get this divide. If the tax payers money is involved, then the senator believes that you have an obligation to explain what you have done with the tax payers money and what we got for it and there is a standard of disclosure that it is very high but private transactions, you know, you want to move to a system where people want to be able to say we are a high quality provider. Here is the evidence. We willingly provide it but you do not want to have a system where the mandate drives that. You want to actually transform the system so people want that out there.

**KAVITA PATEL, MD:** Senator Obama feels that data should not be corrected just for the sake of data but we do think that it is very important for hospitals and for providers and patients to be able to have kind of a standardized process by which you can have data reported. And what I mean by standardized process right now even with across electronic health records, there are very different standards in terms of how we report information so one person using a system like ETHIC may not be able to look at another system like CPRS in

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the VA and see the same information across the disease for example.

So part of that is data stewardship which has certainly been held and has been a responsibility of the federal government and actually there is a lot of progress in that area that Senator Obama has supported in the senate that the National Library of Medicine has been doing to support things like HL7 and other standardized kind of languages for data to be transmitted.

Now taking out of that weed comment is probably the notion that you alluded to of quality and how do we make sure that some of the pay for performance movement and some of the other initiatives of quality are built upon, we now know that pay for performance while it has certainly been an important piece of progress in kind of how we have moved physicians to change practice is not the end all, be all of how we achieve high quality systems.

And I think a lot of that is to what you speak of with regards to regional variation can be set exactly to the same degree as the studies that Beth McGlynn has done around variation in quality, if you show physicians, an interesting example is the Pittsburgh Regional Initiative where they showed physicians quality measures and how they did at the individual level and at first physicians said I do not believe it. Your

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measurements must be wrong. This must not be correct. You didn't do this right.

Over time, as people were open and honest and transparent at all levels about what kind of measures were being looked at and how physicians, Dr. X was doing compared to Dr. Y, people started to really realize hey wait a minute, there is something I could do to improve and I am being given the opportunity in my health care system to make that improvement so I think doctors want to be a willing partner in this and actually would enjoy the opportunity to have that data be made available as long as what is in place will reward an improvement in that and that is really a critical element that Senator Obama supports.

**KATHERINE HAYES, J.D.:** And I just wanted to say something that Doug said sort of triggered a thought from me that I just wanted to clarify, you know, Senator Clinton doesn't require that all private health insurance plans adopt any sort of pay for performance system, all she is saying here is that we need to reward quality in federal programs like Senator McCain.

For her it would be the Medicare program and plans participating in the Federal Employees Health Benefit Program because the federal government does pick up the tab for that. I think her expectation is that because private plans participate in Medicare and because private plans participate

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in FEHBP, many of them would adopt similar types of quality measures in the private sector but I wanted to clarify that there wasn't any mandate on private health insurance plans other than those that are receiving federal dollars.

**ROBERT GRABOYES, PhD:** I'm going to have to apologize. For seven minutes I have had a red light saying STOP so I am going to have to curtail it. I am hoping maybe the panelists can spare a few minutes afterwards for folks who have other questions. But let me say that is about all the time we have.

I would like to extend a thank you to our panel and to all of you attendees. It has been a really valuable, insightful event for me. I have had a lot of fun. And in closing I would like to mention that NFIB recently unveiled a national multi-phased health care campaign entitled SOLUTIONS START HERE.

The campaign will engage the small business community, policy makers, key stakeholders in a robust dialog, about the unique health care needs of small business owners and their employees. As part of the campaign, NFIB has created a petition calling for policy makers to specifically consider small businesses when addressing health care reform. The petition was sent to each of the presidential candidates and it is here with us today. I encourage each of you to sign it before you leave or you can sign it on our website at

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panelists please. [Applause]

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