

Viewpoints: The Health Care Debate
National Association of Manufacturers President and Chief
Executive Officer and Former Governor John Engler
Kaiser Family Foundation
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Jackie Judd: John Engler, the president and CEO of the National Association of Manufacturers, thank you for joining us, talking to us on Health08.org.

Former Gov. John Engler: Thank you very much Jackie, for the opportunity to talk about manufacturing in healthcare.

Jackie Judd: The Association that you head up represents manufacturers across the country, big ones, little ones, etcetera. What unifies them in terms of how what they view is the most critical issue in the healthcare system today?

Former Gov. John Engler: I think one unifying common denominator among our members is that when they provide health insurance, which most of them do, is that they are paying for it so they are very sensitive to the value proposition. They want to provide good healthcare packages for their employees. Many of them use it as a retention or recruitment tool.

But at the same time, they are looking at a very competitive landscape out there. The prices of energy, of the legal system, of transportation, all of that is rising and healthcare also is rising and they are saying what can we do? We can manage some of these other costs but healthcare seems to be virtually unmanageable.

Jackie Judd: And so controlling costs is their number one issue?

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Former Gov. John Engler: Well I would say that is the number one concern. The number one issue I think is they want to take care of employees who need to be protected in the event of a health emergency or if something is going on at home, that employee is going to be distracted from his or her job so I think they want to be able to preserve this as a cornerstone benefit of an employment contract with someone and that means they need to be able to afford it.

Jackie Judd: Fewer and fewer employers are offering health insurance now, most particularly, among the small businesses. When you hear from your members, when they reach a decision that they can no longer offer it or they have to offer it but it is more expensive to the employee, what kinds of stories do you hear?

Former Gov. John Engler: Well, where it happens and again, our group for the manufacturing, we probably have 10 or 11,000 members here at the National Association of Manufacturers. All the larger companies of course offer health insurance and many others who are in the manufacturing sector also do because it is what is required to be able to compete.

But, where they have had a real pressure on is often with the retiree benefits, which have been curtailed and in some cases, eliminated. Where that happens there is a great deal of regret. That is not something they are pleased about having to do. Many manufacturers benefited from the Part B

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Medicare drug benefit. They thought that was helpful and they like the way that is worked.

Manufacturers also— the first thing they will do before they eliminate a benefit is really try to get a lot more flexibility and manufacturers have really pushed employees also to pay more of the share of the cost. In fact, in many unionized workplaces, and there are fewer of those in the country today, but where those exist, often the increases in cash have been pretty minimal because all of the increase in compensations come from the increased healthcare cost so it hurts workers in another way in that there is not as much in the take home envelope in order to support that more costly health benefit.

Jackie Judd: The Association has a healthcare agenda, it is on the website. I am not sure if this list is listed in a sense of priorities but the first one up there is adopt health information technology. I know the Association is part of the Coalition, the Health IT Now, is that your number one priority or your view of how health cost can come under control?

Former Gov. John Engler: We absolutely believe that technology is a critical part of how you do understand and ultimately control healthcare costs. Because if we look at the impact of health care there are estimates showing that healthcare spending will double before 2020, as early in some

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cases as 2016. That would be \$4 trillion. That would be 12,000, 13,000 for every person.

So, we think health information technology provides a lot of information. Plus, we think it is highly complimentary to a sort of personal responsibility on the part of the employee. It gives them information and some of that information really helps them to be successful with the prevention strategy because we believe in the data and we believe in our own experiences that prevention is the single best investment that we can make and the way to hold down health care costs is to stay healthy, stay out of the hospital if you want to keep the costs down.

Jackie Judd: How much do you think Health IT would save?

Former Gov. John Engler: There are a lot of different numbers being rammed in this study on healthcare and they came back literally in excess of \$100 billion of savings. So that is pretty small in terms of a \$2 trillion expenditure.

Jackie Judd: Right. And other people look at that report and come up with a \$77 billion figure, but we are in the range. It is still a small percentage of the overall health care budget.

Former Gov. John Engler: It is but only in healthcare would something that was 77 billion or 100 billion be looked at as a small number. That is a massive number. And I think more

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importantly, what it does is it begins to set the stage for consumer directed healthcare. Where I can be able to decide, I want to go to hospital A or B for this treatment or that service and I want to go there because it is cost effective and the results are very, very good.

We think that quality is every bit as important to look at as cost. This is not about getting the cheapest care. It is about getting the best care. But, what we know with certainty is that sometimes the best care is in fact, also cheaper. A good example, the hospital that does the procedure 5,000 times a year maybe versus somebody that does it 5 times a year.

Jackie Judd: On the agenda, you also include a lot of interest in other kinds of insurance coverage such as health savings accounts.

Former Gov. John Engler: Yes, that is right. Health savings accounts are the law of the land and it is a tool. We looked at this working- it is something that requires education on the part of the employer but it is a way to help employees. Again, the ones who benefit most are the ones who are most into prevention.

I have seen health savings accounts be used in conjunction with the plans where you get a physical every year, you monitor your care. If you have the potential of a chronic condition, maybe you are pre-diabetic, you are dealing with

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that now rather than letting that develop into a full-blown case where your treatment cost and health impacts are going to be much more. Smoking cessation, we know that is an obvious one, kind of a no brainer. Everything from watching one's weight, I have plenty of experience in that area personally.

You get into a lot of these issues and we just think that the knowledge, having that and then of course for the doctor to have that knowledge, it really makes a difference in terms of how they care. That is one of the reasons we like again, Health IT, it gets that whole family history out there. It gets one version of it that is the correct one that you can take with you no matter who your care provider is. Whether it is my daughter or it is me, we want to be able to keep an accurate record of when we touch the healthcare system what knowledge resulted from that encounter and how that might be helpful to guide a future decision.

We want to eliminate mistakes Jackie. That is another area where there is literally billions of dollars wasted because of mistakes. Unfortunately, what goes along with that, our lives that get put at risk.

Jackie Judd: I want to get back though, to the idea of creating, improving, and encouraging the use of health savings accounts.

Former Gov. John Engler: Sure.

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Jackie Judd: As you know, critics will say that the people who would be offered these are the same people who would be least able to afford it because it requires more out-of-pocket spending up front. So, why is this something that in the manufacturing world, where there are many lower wage workers, why that would be seen as part of the solution?

Former Gov. John Engler: Well there may be lower wage workers in somebody's manufacturing world, but not in the United States. Our manufacturing wages consistently significantly above other sectors. But, let me answer the question specifically. HSA's can be designed, where I think they work almost regardless of income level because the way I have seen them done and believe they can be most effective, is when you are putting some of that premium cost up for grabs and saying to the employee, look, if you manage your health right, if you do things that are good, smart choices, some of that cost we would rather pay it to you than we would to an insurance company. We would rather let you have the benefit to build up.

You are seeing employees in a couple of years have enough money in an HSA to handle deductible cost. So in effect, you are reducing the cost, not increasing it. Yes, the structure often is to have a higher deductible, but I have also seen employers work on phase-in periods. There is a lot of creativity out there. Some of the critics, their minds start

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out closed and so they do not open up to what are the real world experiences that are going on out there. I think you would have to be pretty cynical not to say hey, there is some pretty clever and creative things that are being done. The one thing that we do with HSA is we can measure all this.

Jackie Judd: Let us bring this conversation around to the 2008 campaign for a moment. You came from the world of politics, you were governor for many years from the state of Michigan. So two questions, one, do you look at the states or at the federal government at this point, for real change in the healthcare system? And two, do you have a sense that the debate about the healthcare system now, is any different than what you have heard in previous years and whether it will lead to real change.

Former Gov. John Engler: Boy, some good questions there, several of them. I think that the change is going to be driven largely in the transaction between the employer and the employee. Ultimately I think they are going to create different approaches. Now, I think there is some government help that needs to happen at the federal level.

We think that greater flexibility in terms of healthcare plans, letting new associations of interest come together to do insurance is really a smart thing. I think the federal government has a big role to play in the transparency of the system by certainly not getting in the way of Health IT

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but also in trying to require and because they are such a big purchaser, they also need to be more forthcoming in terms of what they are paying for healthcare and disclosing that.

I think quality is largely assured, interestingly enough, by the states and the states do the job of gathering the physician data. I think everybody has a role to play. There is no question that on the research agenda, the federal government is major player there and they need to be cooperative and thoughtful about how we can bring some of these life-saving drugs to market faster. I think the federal government needs to make sure that drug companies can protect their supply chains so we do not end up with adulterated or fake drugs in our market that put people at risk. That means not trying to make political points by— we have members of congress go over to Canada from time to time and say I am bringing back drugs that are cheaper.

Those are just stunts and we think there is a role that everybody plays but at the end of the day, in a public private partnership for reform that some of the real creativity come from the private sector where they have a lot of flexibility that the public overseers have allowed them to have.

I think tax policy is also important, by the way I should add that. Sometimes tax policy is driven the nature and the structure of the benefits and it seems to me that we want to be even handed across the board, we do not want to provide

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one advantage for a company and a disadvantage for a farmer for example.

Jackie Judd: Just to wrap up here, I guess I would call it the quality of the debate that you are hearing in the 2008 campaign on healthcare, does it seem any different to you than in previous election cycles? Any more meaningful?

Former Gov. John Engler: No, at this point I would say it is pretty sound bite driven. I think that unfortunately, this topic is one that does not lend itself to the campaigns. Some of the real big issues that confront America today or America in the world are very, very difficult to capsule and have health insurance for all. People will say well, there is the 40 some million that are uninsured today. There is 40 some million that are insured but they are state Medicaid systems, a federal state partnership and a lot of complaints about how that gets funded so there is 80 some million people sort of standing in the way before we even get down to all the millions of employers who provide coverage and can they continue to afford it.

I think the complexity of the issue is such that it is going to be frustrating to even a brand new member of congress coming in with the idea I am going to fix the healthcare system. What I do think can make a difference though is that if we continue in a bi-partisan way, and this has been wonderfully bi-partisan, this effort for transparency in using

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the technology. Because I think, we say in manufacturing, what we measure we can make better. In healthcare I do not think we measure enough of the right things and if we do measure it we do not really tell everybody and I think that has got to end.

Jackie Judd: Okay, a good note to end on. Thank you so much governor Engler, National Association of Manufacturers, appreciate it.

Former Gov. John Engler: Thank you very much Jackie.

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