



Transcript provided by kaisernetwork.org, a free service of the Kaiser Family Foundation¹
(Tip: Click on the binocular icon to search this document)

**Business and National Health Care Reform
Luncheon
Century Foundation
September 14, 2007**

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

[START RECORDING]

KAREN DAVIS: And it is really a great privilege on my part to introduce Dr. Robert Galvin who is director of Global Health for General Electric.

When I looked at what he is responsible for, first of all he is in charge of health benefits for General Electric that comes to \$2.5 billion. I am sure that that exceeds the budget of many countries around the world. And if it isn't enough that he has the responsibility for health benefits; he also runs what must be one of the largest healthcare delivery organizations in the world and that is GE's Medical Services that involves 230 clinics, 600 physicians and nurses, and 1 and a half million patient visits a year. He is also responsible for wellness, disease management, and occupational medicine programs.

So, it was actually a surprise for me to learn all of that because I see a lot of Bob doing other things and it was a great fortune of mine to serve with him on the Institute of Medicine Committee that was charged by Congress with developing a report to Congress on paid for performance public committee on redesigning Health Insurance benefits AMID, a performance improvement program.

We are particularly proud at the Commonwealth Fund that he is a member of the Commonwealth Fund Commission on a high

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

performance Health System as his Dallas Salisbury and many other folks.

Bob also was instrumental in and founding the Leap Frog Group and which is known to many of us in the room that represents 35,000,000 insured people and it is certainly the premier private sector group focusing on medical safety as well as quality.

We heard earlier from Francois de Brantes that Bob was instrumental in founding Bridges to Excellence; and he is also advocated the spread of sicksigna [misspelled?] principles for quality and cost initiatives in Medical Care.

Somehow he also finds time to be on the faculty at Yale University and he has roped me into talking to his clinical scholars in the spring so he will get his pound of flesh as well.

He trained at the University of Pennsylvania with some undergraduates there as well as receiving his medical degree there; did a residency in internal medicine at University Hospital in Boston, and gad an MDA at Boston University.

So it is terrific at this point to turn the podium over to Bob Galvin, who tells me he is giving and you talk and trying, out on us some of these ideas, Understanding the Employer Mindset; which I think all of us would like to do.

Thank you Bob.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

ROBERT GALVIN, MD: Thank you. Thank you, I actually would not applaud yet because I have no idea if this is any good.

But, it must just be the hardcore policy people here so I am happy to hear that because this is a hardcore policy talk. And thank you Karen and the Century Foundation for asking me to speak and thank you for sticking around.

I did miss a part of this morning so I hope that on stumble over was some other speakers said. I had this conference call were I had a number of my staff were very hot on this medical tourism idea and so I was trying to say that we've got enough problems in this system that is sending people off to India to get bypass surgery, maybe we're not ready for that; and at one point I just said have anyone on this call actually flown to India?

And it turns out no one did actually been there. It is a tough life if you have been there. I have been there a few times so I did miss it.

This kind of a neat idea, medical tourism, but I think we have some issues in this country that I would like to address first.

So, this is an exciting time I think in health policy. I have been it is a longtime and I think a lot of people in the room have. And, I think you get the feeling from time to time

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

when real opportunities around reform are in the air. And historically, it is always been about once a generation.

It is nice to see that this is a half a generation because it was in the early nineties that the last attempt failed. But, I think there is a real feeling that maybe you know we well over the next, certainly the presidential election depending on that and how the senate vote will turn out; have some opportunities that we have not had again for 15 years to do some things to address some of the problems that we've talked about today. And I think that is pretty exciting.

I think kind of employers for whatever reason they became kind of the accidental tourist to the Health System, you know everyone knows the history of how employers got in this game.

They're just a big deal in reform as Karen I think mentioned in her comments, 160,000,000 people covered. And I would say if all the different kind of subsectors if you will, stake holders in our large health sector; my senses employers are probably least understood.

And I came out of the provider side is Karen said, but I think people more less understand the doctor's position, the hospital's position, where health insurers are kind of the device and informers are.

But, I think that the employers are a little bit harder to understand and so that is why I focus talk on understanding

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

the employer mindset. And so, I'm that are really do this today, the surely two parts and really won't be that long. In the first is to go into four key points.

And so, the first is really an observation and I call that stratifies or dies; and that means that really to talk about employers as any kind of monoliths or monolithic set of organizations I think is going to get people going down the wrong road and I will just talk about that for a minute.

I think the second thing is really a clarification because I think those people who kind of are, you know look at employers and what we do get very and couple when they hear the word market and I want to just clarify, and I think there is unanimity across employers on this one.

Division between market forces, and I will talk about that for a minute, versus a free market where you really have kind of people individuals buying insurance. They are different and I think employers by and large mean they are former not the latter.

And then the third is a framing because I think employers sponsoring insurance ESI is you know; I was mentioning to Karen at the break, it is nice to hear people say so many good things. I do remember a few years ago when people weren't that hot, employers' sponsored insurance. I had mentioned we have a saying where I worked and it is a very

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

short walk from the penthouse to the outhouse; and I think it goes back the other way.

So, I think if, you know we will see. It is great but I think it is complicated. I think the employers and Health Care, they are real negatives and there are some real positives; and I think the better that we bring those out and have a framework about how to think about it, the better opportunity that we will have to get some real reform.

And, the last one is just a warning, which is don't mess with ARISA; and I will talk about that a little more because I think there is unanimity around that too on the employer's side and I'll explain why.

And then, I will just give some general thoughts on reform and really it is not reform in general as much as it is or what how I think employers ought to be approached.

If I was the policymaker, not on the side I am on now; and I was really trying to forge change and you have to contend with employers because were are such a big part of the system; how would I take the understanding of how they look at what they do to try and approach them to get some agreement; like they had done so far in one in Massachusetts. So, that is what I am going to talk about and take a step back before I get into it, and examine why exactly is it that we offer health coverage since it is voluntary.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

And, we offer it, really it is labor competitiveness. It is the end of the day; we can't stop offering benefits at GE because if our competitors offer them and we don't; where going to lose very good employees.

And, I think if you look at what is going to happen at the labor force over the next several decades, and we have looked in that with kind of the information kind of economy that we are involved in and kind of our educational system. I think the competitiveness and kind of workers with certain skills is going to get much, much more competitive. So, if you actually do surveys of employees, particularly if they come out of college or even in mid-career, they do not list health benefits although I have heard the surveys that Dallas talked about. Our own internal surveys that it has to do with interesting does the job; you know how much are they going to get paid; do they like their boss; and health benefits is kind of last.

I think that is true until one group offers health benefits and the other does not. So, I think if everyone is offering health benefits and it comes in last; I think that would change quite a bit if there was a difference between having them and not having them.

Look, I think it is true that help the workers are more productive and I think that it's a nice kind of an intimate tie; it really is an employer's interest to have healthier

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

employees. And so, I think that is another reason that employers offer it; and I think third and I think you heard it with the CEOs here this morning. I think is underestimated the degree to which CEOs of businesses who feel social responsibility are close to their employees. It is not every company of the several million companies in the country but it is by far the majority of people that take these responsibilities seriously.

On the other hand, cost increases are painful if you are part of the global economy, it really makes it hard to be competitive; and they're just plain painful when they're rising kind of faster in many cases; and you know profits are certainly the biggest part of payroll.

And, you know the biggest thing is; have an article that I wrote with Susan Delbanca [misspelled?] from Leap Frog you know we call between rock and hard place. You know it's not the business of the business. You know managing a few billion dollars or whatever it is, you know 9 or 10-percent of your payroll is really complicated.

It is a lot easier buying travel services or buying IT services; health care is really complicated. And, I think there is a kind of mismatch between the resources employers put into who is going to manage their benefits forum and how difficult it is.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

So, you certainly could make a case to say; yes it is about labor competition; but it is a high price to pay for labor competition. You know it is probably easier to do it on wages and building gyms in your workplace. So, I think those are the kind of the give and takes so I think that is why we keep offering it and now kind of let me get to these four points.

And so, you know the first one is on this stratification; and kind of forgetting that era of good feeling that we're in here with employers. And, the question is do employers want to preserve ESI, Employer Sponsored Insurance, or do they want to find extra strategy.

You know, it was just a few years ago that all the talks in the press club and down here where on the extra strategy, that employers, large employers wanted out. And we heard a little bit from small employers today but it was predominantly much more large employers. So, the question is; really if they had the choice to get out and they could you know compete on labor and another way or state loan, what would they do?

And so, I think that the answer to it is yes; I think it is complicated; and I think that leads to stratification in which there's really not a single voice. So, not only is there stratification largely amongst size employers; the stratification is different depending on what issue and I will

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

call and you know is with good for the rest of the talk; there is much more agreement around market forces; there's much more agreement around ARISA.

But, when it comes to kind of being able to get out of this, being willing to have a mandate; I think that anyone in policy approaching employers and saying employers feel that, all to be very careful when it comes to the access issue because I think there is a marked divergence; and it really is generally based on the size of employer.

Look it is not anything that anyone in the audience does not know; but it is remarkable to me the even with all of the reform efforts; you know the proposed is going on today and my staff counts over 50 at this point; it is very difficult to find a discreet strategy to deal with those that want to stay in an indiscreet strategy for those who might want an option.

And, that is why I think at the end; I just think you know that choice option flexibility is going to beat ideology every day of the week. Because there's a couple of in a resting surveys that I just pointed out because I think it makes its point; and one is from HRP, which is the organization of the senior vice president's of human resources of the biggest companies. So, this is a large employer survey; and you know it is an HR that kind of management of health benefits sits; and it is really interesting. And this is just comparing the survey N06 just with one this year; and the

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

surveys are almost you know 200 of the 220 members responded the surveys. And, the different see is, what happened between '06 and '07; and in '06, if you look to the left you know the question was; okay, you know should we work as a group of you know big employers to strengthen employee sponsored insurance. You had 30-percent of people saying no to that. Move to the right of the chart, same year; and you say to now large employers; would you think about a system that has much more government and maybe almost might be government run. 26-percent, almost one in four said it.

That might not seem large, but I can tell you living in the large employer world now for the last decade that you fell over when you saw that because when my first few years on the employer side; I decided with my physician training that there was actually an allergy that kind of CEOs had to government; and I actually used to get red and breakout in rashes.

So, to see 26-percent was really quite interesting. And look what happened in a year though. I mean, same group basically a year later kind of only 10-percent now do not want to strengthen ESI; almost you know really more people do but look what happened to the government run side.

You know, in '06 basically kind of no to government up to 50-percent. And, what happened in a year; I don't think that we actually know. I can tell you one of the most interesting things that happened since I have been in this a

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

while; is and I do not know if Dallas show his graph at the beginning, but you know the graph about kind of what CPI is; you know what wage is in it; and what Health Care benefits rise; and I am always amazed to find out that as soon as the trends moderate and two times CPI is fairly moderate given our last 15 years kind of a zeal to get out goes away.

And be and what happens is that it goes back up again and kind of the frustration in the zeal to get out increases. So, and if you know the trends over the past few years on the employer side; they have been coming down. I mean I think it was '03 or '02; we were up to 14-percent and it has been a pretty steady climb. I think that sort of reflects the facts it people are not feeling the pain quite as much.

Now, let's go back to stratification between kinds of those that offer and those that don't largely, mean large employers versus you know small employers. And again, this is nothing new to anyone in the room; but it is a reiteration of the fact that you kind of look at those who don't offer coverage, half of them think that expanding public insurance is a good idea. If you go over to the side of those that do offer it, they kind of think mandating all employers to pay for it is a pretty good idea.

So, I just think again; I think whenever I read kind of a policy and get to the part that says employers; and if there's an employer's plural without a stratification,

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

particularly around access and funding, that does not divide into those that offer and those that don't; I think you can stratify or die based on that. And, I think that is one way to think better from a policy point of view.

The issue too, which is really a clarification is kind of what I think many on the left have which I think he is allergic to the word market. And, I do not think that you need to be allergic because I think there is, here I do not think that there's as much stratification. I think employers in general; there's more unanimity around what we mean by market. And what I try to say is that using market forces is not the same thing as having a free market; and that kind of the funding of the system is really in many ways related to but can be separate from the management of the delivery of the system.

And this is a piece in the *New England Journal*; that Arnie Millstine [misspelled?] and I wrote several years ago; and just the last sentence is kind of where we thought kind of employers are moving; in that was an idea that for the strategy to succeed needing kind of to get the higher quality and lower cost skinny bitter value, consumers had to be activated and see more efficient higher quality care Physicians had to be rewarded for delivering it.

So, when most of us say market and market forces; we're talking about the second bullet. We're talking about a lot of what you heard from Francois and some other speakers earlier.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

We're really talking about transparency. We're talking about information. We're talking about engagement of consumers whether they pay more of the bill or being incentivized. We're talking about competition around quality; and I will show a couple of slides about what we mean about that; and we're talking about payment reform; and I think you can get to market forces without having to go to a pure free individual market, which I think scares people and I don't happen to favor in either.

Some employers and some people do, but that is not the predominant feeling among employers. I did not show you that from the HSPA; but had I, you would find that it was a distinct minority of the senior vice presidents of HR who thought the pure free market and individual insurance is the way they want to go.

So, I think that what we mean is market forces and I know, you know many of you may have seen this slide that I have been showing; by the showing the slides for years but I think information is critical.

And, you know I am not here to talk about the story about what happened or what did not happen; the simply to say that the fact that you can measure for certain interventions in medicine and Health Care, kind of the difference in quality; and there are significant differences here at this era in New York City, which is where the president ended up having his

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

care; there were really distinct statistically significant difference, all risks and case missed adjusted between Cornell and Columbia and anyone who knows the city know there are no traffic about five minutes apart.

And, if you did not have this chart, you would not know that this existed and I cannot imagine that you can come close to rationalizing or improving the system or any system, of two trillion dollar system in particular, without this kind of information.

And I think it goes down to the doctor level as well, which is obviously a lot of controversy and I will talk about that near the end of the talk; but I just think when we're talking about market forces, we're talking about transparency and this is kind of the idea we have in mind.

The other kind of idea that we have in mind is it is just is not around quality and effectiveness; you can do it around quality effectiveness and efficiency and cost.

And so, this is kind of the pretty bubble chart and kind of let me walk you through this chart. This happens to be with my hometown of Cleveland; and this has to kind of retain to interventional cardiologists; and it is not true that every doctor in Cleveland is an interventional cardiologist. It is actually every other doctor in Cleveland is an interventional cardiologist.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

That is my hometown and I was born at the Cleveland Clinic so I have a lot of fondness for it. But, basically what this shows you; it really looks a kind of effectiveness and that is on the Y axis, you know the quality. And then, on the X axis is efficiency; and kind of the bubbles are the different cardiologists or cardiologist groups in town; and the size of the bubble is how many people went to them.

Now, this happens to be from United Health Care; this is their data; and the dark bubbles are the GE people. You know, we still make light bulbs in Cleveland that is where our lighting business is; so we're still pretty big in Cleveland. And, what is important to me about this chart is the fact, and look at the door bubbles because that is what I contend with. The way we are approaching this from value, is we're really, really looking for two things. We want to get above the horizontal line because the way this slide works is, the higher you are, the better quality. You know, you just take the mean at 100 and basically those are percentiles above the mean; and this is how well you follow evidence based on based guidelines. United is pretty smart about this and we have worked with them very closely to make sure that we could live with this; but these are independent cardiologists that have come together in an advisory group.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

Many of you, some of you might know the name Harland Crumholts [misspelled?], Harland does most of the work in cardiology for CMS; and he heads this, he is the chair of this.

So, the quality of data is pretty good and so from that point if you of a value purchaser you really want immediately; if you were to call me and employees call me all of the time; you want to get above the horizontal line. What is more interesting to me in the second factor is; giving good quality the difference in efficiency is about 25-percent.

And the way this chart reads is you want to be in the right so you probably want to be in the upper right. You can make this any way that you want. This chart happens to be the upper right. So, kind of I don't have the pointer; but kind of pick a bubble on the far right it is dark, that is above the line; and then go all the way to the left; and you see one there about kind of 0.6 in efficiency; there is the same quality for about 20-percent different cost.

And so, when we talk market forces; you know what we're talking about is what ever set of incentives, payments, information it will take to both let patients know what the difference a is, incentivized them through information and maybe other incentives to go to the right, and then I think even more importantly to show providers and the cardiologists that there are differences and have everyone migrate to the right. But, I think that it is a dramatic to me kind of

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

indication of what we're going with and market forces and I am not going to talk about transparency much. This will be the last slide.

But, you know that there is some indication that this works. This is, and I do not know how many of you have seen this, it is a nice study published in *Health Affairs*, remember when, a few years ago, but Judy Hippard [misspelled?], who is a wonderful researcher in the field. And, a natural experiment took place in Wisconsin where, and this is a hospital that happens to deal with Obstetrics and Gynecology quality measurements, they had one part of the state that had measurements and they were released to the public.

So, you had some very active employee years around the Madison area and everything went to the newspaper and to the public. You know in another part of the state where they were measuring and showing it to the physicians but not putting it to the public; and then you had the third area where there was really nothing going on, that was actually rural Wisconsin.

And then, they basically looked and said was there a significant improvement or did it get better or worse. And, the public report on the left, you can see kind of the how many improved particularly over those that declined statistically significantly better than those were the doctors had information but it was not public versus no information and all.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

So, market forces are something I think that we're going to see across the line from employers and the latest you know the CMS group that we have had in there for probably the last decade now has been very aligned with this; and I do not really kind of see this changing and again I think it is not something I think could be from a policy point of view to be worried about. Because you could do all of this without a free market; you know without kind of individuals having to do themselves; that you can do this with intermediaries.

I am not going to talk about pay for performance. I think Francois did it well; but we again, it is a part of the market force and it is pretty simple and you can make it complicated or you can see with the title says that you get what you pay for; and you know the quote that I put the bottom is when I started understand this; this is one of Dr. Somewhere in the country, I do not remember where, talk to me and I said, what is the problem with the payment system? And, he says you know, the better I get you know the less money I make. And, I think it is pretty succinct [misspelled?] and we now have the OEM and Med Pack lined up.

So, let me go to kind of the third issue, which is the framing. And, the framing is and again we have been in this and we have heard lots of good stuff; we've had Karen congratulate employers, which was terrific. But, I think there are some bad things about Employers Sponsored Insurance; and I

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

think that we have all talked about them and we all know about them. So, the overall question he is; is ESI, Employers Sponsored Insurance good or bad for the Healthcare System? And, I think you can say that it is both; and I think that we have to contend with this because I think if we're going to drive consensus and make smart policy; we have to understand that on the right side, those are real issues.

I mean, again, I heard Dallas and I do not know if he is here anymore; and his surveys are great; he does wonderful work; and you know 90-percent of employers you know want to really believe and he said at the outset and keep offering it; except fewer employees every year are offering it.

And so, if you look at why we're getting more uninsured, it is generally from employers, small employers dropping insurance.

So, I think the fact that it is voluntary is a problem; and we are going to end up with more and more uninsured. I think that affordability obviously is an issue and we all know that and I think administrative complexity is one too. And, I would say that I don't think that Medicare is the model here by the way; I do not think that a 3-percent admin rate is something to brag about. GE, we look at the cost of doing business as both an administrative kind of necessary evil and an investment. And, I think to the extent that you; it costs an administrative cost to come out with data, transparent data

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

about quality and effectiveness and all those charts that I showed. That is not a bad part about administrative costs; I mean I do not think that we want the Medicare program to last 30 years and how inflationary it has been and how poorly I think that it is managed delivery system. But, I certainly did not think that we need the 15 to 18-percent that we have and I think that we all agree that that is wasteful.

On the positive side, and I thought I was going to have to spend more time on this one up with the talk together but I think that you have heard about the pauses particularly on the large employer side and I think Francois ideas showing how it migrates; and where he showed it kind of starts with the jumbos and then migrates.

If one part that I would've added to that chart that we started around Leap Frog time was it started bringing the government in right away. I mean, we put the government on the board of Leap Frog, it's exaphisios [misspelled?] right away. Because the real change occurs when it migrates to CMS; so it is great if jumbos do it and it is great if it moves to health insurers. It has still got about 90 million people under government programs and 40 plus million under Medicare, so moving it to CMS is the best way to migrate.

But, I think that you know look we are responsive. You know, and I think Karen mention this also you know one of the good things about ESI is the way we pool; and I think you can

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

argue that the smaller the pool, you know for its large enough to do what a pool should do; the more responsive it is going to be. I get e-mails all of the time from unhappy employees; my job depends on, partially, making them happy. It is also on how calls go up; and there's a real responsiveness. We have heard from our employees about kind of what we should do about offering benefits we did not offer; and we expanded our clinical trial benefits this year by a lot of money; it was a much more responsive.

I think you've heard about innovative; and I think that Francois' chart is perfect. I think that he had about seven things from transparency to pay for performance. I think it is innovative and a really is not bound by politics. And, I think that is a good thing and the best example I always use about that is Medicare Part D, which I happen to favor Medicare Part D. I thought it was a good idea to get drugs to the Medicare population. But I do not know; you're all policy experts in this country, how many of you help your parents choose a Medicare D Plan if they are of Medicare age?

I can tell you that when I go visit my parents and their nice assisted living facility down to Florida; it is like a blast e-mail that goes out that I am in the house. And so, you know I spend about 9 hours dealing with the Gotliebs [misspelled?] and all of the people and I tell you that it is not easy for me. And, I sit there you know and luckily there's

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

broadband in a room there and I am going; what is the generic for that drug again and you are looking at the formulas and I am looking at 85 plans, you know in the zip code. And, you know it is; Mrs. Gotlieb, I think you should go with Medco. Really? No! So it is not; I go, yes I do.

And so, I think in the reason I think we ended up with that system is because it had to satisfy so many constituents. I always like to say; pardon of getting through the GE Board of 14 members, imagine having 435 board members. And, I think it is just tough; think it is a good thing that we are not bound by politics. And, I think that the fact that employers are kind of eroding coverage; and this is a chart that just was on, I don't know if you saw John Igleheart's [misspelled?] article in the last *New England Journal*, a couple of go; and he is talking about SCHIP. And, he was kind of talking about the politics of round trying to get this through; and he had this need chart in then; and it is just an different version of kind of you know the uninsured and how many employers cover.

What made me think about was you know I would be cautious is kind of a policy person to not misinterpret the fact that fewer employers are covering. And, in a sense you know kind of the Employers Sponsored Insurance is eroding, which is true. I would not equate that to meaning that employers, those left, are not pretty kind of passionate about staying in. And so, I don't think any anyway; in fact I think

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

those that stay in and you heard it from the two CEOs this morning or I didn't hear the Kelly, I know what Mike Critelli thinks about it. I think that begin, the idea that all employers are looking for a way out or were less of a force is really not true.

I thing more in a resting from that ESI point of view than me is this chart. And, I you know and kind of the adapting a phrase; and I don't mean it in any way to kind of talk about Iraq here.

But, you remember this phrase; you break it, you own it was what Paul said about Iraq. And, I thought a lot about you know what it would take with all of its flaws that you saw that he is I have; you know what would it mean if you got rid of it.

And, this cost hydraulic chart for those of you haven't seen it; came out of the Luen [misspelled?] Group; I think it was Al Dobson [misspelled?] and Barry Luen who put together.

But, essentially it shows that one of the functions that employer sponsored insurance does, is it helps Medicare stay as viable as it is because to the extents that we know that government programs below costs. Ask any provider.

Essentially that cost gets shifted too we private employers; and we pay it and it is the tune in the hospital basis anyway, which is what this chart shows of about 25-percent.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

So, I think that you know one way to look at this is to say that ESI has a lot of issues; we can do better. And, I mean listen to kind of percentage are kind of a number of bills out now are basically saying, let us get rid of it. Let us go to some government kind of model, single payer.

And, I think that you know that it is Don Verwick's [misspelled?] quote that every system is perfectly designed to deliver the results that it delivers.

And so, what do I mean by that here? You know my wife is an emergency Physician. She runs a department at Yale; and they have a saying in emergency medicine; there's no such thing as an accident.

You know, that essentially it just was not good risk management, like driving drunk. You get in a car accident; it is not really an accident. And so, you know is this system accidental? Employers got into it in the early forties you know because of the reasons we all know; and the tax break legislation in the fifties; is a really an accident?

Or, is it really that the system solve some uniquely American issues in the kind of complicated way that it does? And, it satisfies one issue that there is not a big trust and government in this system and it makes people uncomfortable from the time that our ancestors moved here, you know either recently are centers ago. Was it a distrust of government? It is the idea that there is recognition that kind of the medical,

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

industrial complex; I think it was Roman that first called it out.

You know all of the Pharma companies, device companies, imaging companies; they really help the economy. And, I think that the areas an implicit understanding that it is kind of both sides and it might add waste to the Health Care System; but it employs a lot of people.

And thirdly, I think this country and I certainly see it in our employees; they really like technology. And I think we misjudged the public if we just are focused mainly on kind of saying; high tech is a cost that is driving everything, let's lower high tech.

Because it is really true that one person's wasteful technology is another person's medical miracle; and I think if you just find Congress or hear the testimony or kind of listen; you'll see the difference between us sitting in a room and looking at a lot of the excesses that clearly exist in Pharma device and imaging; and GE has an imaging business. I am not on the commercial side; but I think that clearly there is a lot of waste going on there; but when it comes down to any of us needing it, it makes a big difference.

I have a child that benefited from it in the Neonatal Intensive Care Unit; I am standing for 45 minutes now because I have hardware on my back because of a traumatic back accident

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

that I had, four kinds of devices that did not exist 15 years ago.

So, it is just not simple and I often look at the system with all of its kind of hidden subsidies and all of the clear issues that we've never would sit down and write a paper or create a system like that today. But, you wonder if it is really accidental. You know, or is it solving a bunch of needs and unique characteristics of this country?

And, I think it kind of even spreads over to a couple of other things which are, that I did not mention, the positives because you know this idea of kind of pushing information and pushing market forces. You know there has been a real unprecedented kind of synergy, kind of partnership between public and private sectors over the past decade.

I mean even before Mark McCollins took over, it really started and the scholar year; and it has persisted through. I think that is a good thing. I mean that is a good thing for providers to get a message about kind of what matters and the system. I think we agree on the importance of prevention and transparency and payment reform and I think the other thing, and I mention that I was going to talk about this, is there a synergy but there's checks and balances to think about kind of Employee Sponsored Insurance and the private sector; the check and balance if you will.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

And, there's a couple of very interesting things going on now where I've seen this play at the first is; you might know that in New York State, the Attorney General there has basically sent very close to a cease and desist letter to a number of health plans basically saying that the way you're showing information about doctors, not the Clintons slide; but really the bubble chart slide actually is one that they object to; is something that is not fair and we want you to stop doing it in this state because consumers hate it.

Well, so far we have a consumer groups from medical consumers, Art Levin [misspelled?]; we have had the National Partnership of Women; we have had the SDI Union and Labor Unions basically going to the Attorney General and saying; no, we like it; we think that this is really good stuff and the Employers like it. I think, as an example of government I think acting in the belief that it is doing the right thing in protecting consumers were I do not think that they are. I think that the Clinton slide and the bubble chart that I showed is important to rationalize the system; and here's a very interesting example to me of kind of a private sector and kind of ESI consumers on the going against it. And, look at what has happened with this Consumer Checkbook. I don't know if you are aware of this; but you know Consumer Checkbook is one of the groups that puts out information like that shown on that

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

bubble chart and the Clinton slide; and basically CMS will not release data on doctor's information.

If you could read what it says here on the Post, you know second sentence; HHS officials argue that making sensitive information public would violate that doctors' privacy rights.

And, Consumer Checkbook on the behalf of many of us Employers and on the behalf of consumers basically said; no, that is not true. It is not the doctors that need to be protected; it is the consumers that need the information so that they can protect themselves. I do not know where this is going to go; but it is an interesting example to me of another hidden kind of asset I think of ESI.

The fourth thing that I was going to talk about; was the warning; was do not mess with ARISA. And, I am sorry; I thought don't mess with Texas was funny years ago. And so, I think employers are pretty unified on this and that does not mean that it is not a solution at the state level; because it is not easy being in state government and trying to solve the problems that they have their. But, I just think from a policy point of view that it is the third bullet. You know eroding what works to fix what does not work is just not a policy approach that is going to have a happy ending.

It does not mean that ARISA does not have issues. It does not mean that there are not problems. I just do not think that you're going to disrupt; and I have 90-million Americans,

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

that was my estimate of how many are self funded. You know 160-million funded employers. I do not know what percent, 60-percent; 55-percent are truly self funded. They're pretty happy.

And, I think that disrupting them is a thing that you would do it with your own peril. And, I can tell you what it means from our point of view and I don't know if it's got any kind of play when I was out dealing with medical tourism. But, it is under estimated I think by folks on the public sector side, what an administrative burden it is when you kind of have 50 different plans. So, basically the way of Massachusetts defines you know what they want from us is an employer and how many employees that we have in the states and how many are fulltime, part time; and ultimately some states want to know percentage a payroll. They define that differently than California who defines it differently from Vermont, who defines it differently from Rhode Island. So, believe it or not; we now have to add staff to kind of reprogramming figure out; oh, okay; it is 21 hours in this state and it is 20 in that state.

The payroll includes this in this state; well they value it differently in that state; and so, I just think that you know do not mess with ARISA; it is really just a kind of sense that I do think that it is something that employers are going to unite on; and I think we will see what happens in Massachusetts. I think right now in Massachusetts and I have

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

lived there for a long time, it is a great state; and I think everyone really wants is to work; and I think that \$295 an employer mandate; it'll work fine.

We will see what happens as the requirements increase. Let me talk about policy and I just really have a few slides. So, I am really switching now from kind of the four points that I wanted to make to just some kind of musings and thoughts on healthcare reform; that is what I meant to say. You know, there are at least 50 proposals out there now, coalitions and proposals and bills when you add them all up. And, you know our view is that they predominantly to exclusively focus on access.

And, I think that you know access is a huge issue and I do not think that you're going to get cost control and I don't think you're going to get good quality without having access; but you know what, I do not think the you're going to have sustainable access unless you deal with cost and quality issues. I understand that cost is the third rail and sometimes you just have to get a bill through; and I thing Massachusetts did a nice job of that.

But, I do think that this is another place where employers will be pretty kind of unified around the belief that you have really got to deal with all three of them at the same time. And so, you know you see some very interesting coalitions and I'm sure that this is kind of old and use now

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

but I cannot in trust and I cannot look at this enough to understand Wal-Mart and the ESIU together; so I'm never going to get rid of the slide because I just always have to see it to believe it.

But, I think that the theme of the slide is; how much more business interests there is in reform. And if you look back to the early nineties; in a business was much more passive in the early nineties. There were really very few business coalitions.

You know, at that point business was still just on the kind of just say no sense for the BRT and the other leaders; and to see this much proactive interest, and I think you heard it from Mike Critelli earlier today; you see it in the business roundtable; I think that it is really good news. It is one of the reasons I believe you know that there is renewed interest and we're going to take another swing at it.

And, I mentioned so far my feeling about it is; first of all the focuses is on access. What is interesting to me is; employer's allergies seem to have a treated about kind of more government involvement; and I think there's a sense that they understand this has to be shared responsibility. I think that is very, very good.

Obviously the details are what are going to be hard work out; but I think that this idea of shared responsibility is wonderful, not from employer's point of view.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

That also means some kind of individual response. So, what is interesting to me about Massachusetts and what they are, and we will see what happens in California, is an individual kind of mandate is included. It is not going to be everyone's belief and there's a lot of contention around putting in an individual mandate when costs are so high. But, I do think from an employer point of view; their much more accepting of the government role; but I think that the quid pro quo is going to be an individual role as well. So, I think that an employer mandate without an individual mandate and without some sharing between that is going to be pretty tough sledding.

And again, my final kind of bullet on this page was what I set the very beginning. I don't think you're going to have all employers I agree on all issues; and if I were someone trying to make policy and trying to find a compromise here; I would certainly you know kind of deal with large employers differently than I would deal with the small employers; those covering and happy with it from those not covering or those covering and having them be very nervous about it.

The ones that are you know dropping coverage every year. So, I think you can address specific issues of the strata in the employer world and get a deal here. But, it is much more complicated and there's much more room and parts and

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

saying here is an employer community and this is what we wanted to do.

So, what is the employer mindset to make it a little more detailed than between rock and a hard place? I think this is what it comes down to. I mean when I started the Welch [misspelled?] and one last talk to Dr. Jeff Emmal [misspelled?] now; and I do not think that it is any different anywhere, which is basically; does the suggested change address my issue?

And, that is what I think is important. What is the issue? And Massachusetts did a nice job of this. I think the really good in terms of the A and we are in debate about the A. I think in terms of how they forged the policy in terms of listening and trying to stratify; I think the device job. So, what is the specific issue? And the next one, is the company going to be better off? Are they going to be, and remember that it is all about labor; I think in general, you needed to compete for labor, but if you can find a cheaper way to compete for labor many companies would say okay; I will do.

And the responsibility shared, I mention that and I think that there's a sense of what the other reason I think that HRP should remember from one year to the next about government, dramatic change, I think the Senior VPs of HR educated about the fact that what they thought was an exit and getting out of it did not mean they were not going to pay payroll tax.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

So, when I think you know that we finally got it through because I was working with them; we finally got it through and said know you do not understand, you're not out of it; you are still going to be paying in the payroll tax on this thing. And, it became an issue the say; wait a minute I do not want responsibility without authority. You know, as long as I'm going to have some responsibility, I would like some of board so I think there's going to be a control piece.

And so at the end it is like a game, Deal or No Deal. But when you watch that; but, it is a big deal down at my parent's assisted living facility, Deal or No Deal. Once every one leaves the apartment, we all go watch Deal or No Deal; and I think that employers really are more open to change and it is even better than it was in the early nineties. And, I do not think that it is because of the radical philosophical change. Think you look at all the problems you know the systems had and it is just compounding. So, you know another 15 years of compounded interest if you well of view no benefit costs raising above wages, the global competitiveness, etc...; I think that they're much more open to making a deal. But, at the end of the day; it does not help them run the business, whatever that means them. I think that they're going to be unlikely to sign up for anything.

So, with that I am going to end and say thank you for bearing with me and listening.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

KAREN DAVIS: My sense is that we have time for just a few questions before Bob is back gives out and our time runs out. So, I am going to get the first question in. You know, I gleaned from your talk you think there is an important continuing role for employers. You gave us cautions against single payer and Medicare for all. You stress public private synergy shared responsibility; but I did not exactly hear what you most favor. So, I thought I would characterize that by asking you where you stand on the Massachusetts Health Reform or the California proposal.

MALE SPEAKER 1: Is the person from Massachusetts still here?

ROBERT GALVIN, MD: No, Jerry; I meant that from the tax payer. He left. You know, look; I think that they did a nice job of putting it together.

Here is my issue about Massachusetts, which is; Massachusetts has, in most ways of looking at it depending on how you adjust, it is the most expensive health care in the country. Now, if you adjust for teaching and you adjusted etc...; but basically it has, you know, if not the most expensive, a very kind of hospital centric, specialist centric health care system. And, it costs a lot of money. And, so my read of that and our read of that is that it is a good place to start; but a \$295.00 employer mandate is not going to continue to fill the gap.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

And so, it is going to be a matter of how much our employers are going to be willing to pay how much. You know there is a debate about whether having you pay a fee or a tax is a really eroding ARISA or not.

Eventually if it gets to be too much, it will become an ARISA issue; so, to me the balance there is that it is access versus quality and cost.

And so, I think that it is okay to start with access first; but if you don't pretty much take on costs, and I think that quality is a big part of cost, you are going to run into a system that is going to run out of steam. So, I think that is almost why I put that chart together by why the three have to run. I like it politically. I think that they were pretty savvy.

It is hard to do three at the same time and I think that access is, you know really, really important; but they better take it on. So, somehow they have to figure out how a delivery system with that many kind of intraventalist [misspelled?] and that much going on are going to be sustainable.

KAREN DAVIS: I think that we have a question over here.

ROBERT GALVIN, MD: I saw that person.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

KAREN FISHER: Thank you. Karen Fisher with the Association of American Medical Colleges. Thanks for your thoughts.

I am wondering your general opinion that you mentioned that the National Level Health Care Reform rose up in the early nineties and is now rising again; and did not at the end of the century when there was a surplus.

And, you believe that is because what really drives health care reform is cost, not access.

ROBERT GALVIN, MD: Yeah, I do. I think that, you know; I think that you know the folks who are really kind of, I mean in the best; it is about access and I real advocates; I think Karen has been the leader; and I am sure that people in the audience are.

I just think that there is a drum beat. I think it is not just cost. I think the fact that, you know have all been so persistent and it is a case that is hard to argue with.

You know, I think that the IOM finally came out with data a few years ago; what is it 20,000 avoidable debts just from lack of coverage. I don't remember the exact number.

You see it the closer you get and the better kind of the group advocating for access has made the case of what really happens on the ground and I hear it all of the time because again, my wife works in an emergency program at Yale.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

It isn't that the people aren't seeing it; it is not the comment that you don't have to have access; you can go to a hospital. They can't afford the medicines when they get the prescription.

And so, I think the advocates have done a very good job of keeping; you know it has got a steady drum beat of the issue; but at the end of the day; it has cost enough.

I have a worry about why reform might not happen again; it wouldn't just be Pay Co. It would be the fact that trends are once again starting to normalize.

And although Karen; you said earlier that two times CPI is still high; you know I am not sure that the public wouldn't be okay with medical care and the innovations rising faster than the price of coffee or staplers.

In other words, I think that there is a tolerance in this country; not in four times CPI, five times; but I am not sure that there is not a tolerance at 5 or 6-percent of CPI is 3.

So, what I have worry about is that if you have another couple of years; we are having a debate; and it is 5.8-percent or whatever it is. So, I do think that cost drive is at the end of the day, certainly on the employer's side.

KAREN DAVIS: Anyone else? Last chance, if not; one last and you are it.

MIKE JOHNSON: To what extent—

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

KAREN DAVIS: Introduce yourself.

MIKE JOHNSON: Yes, Mike Johnson with Blue Shield of California. How credible is the argument that the uninsured are causing a cost shift onto the insured and the employers who are paying for a lot of them? How credible is that to employers and to what extent that a motivation for them to support access proposals.

ROBERT GALVIN, MD: Yes, I think it is very credible. You remember the hydraulic chart. That just had government underpayment.

You know, that did not have kind of the uninsured in there. I think; look it is just a simple balance sheet. You know, it is an actual income statement in the hospital, they come in, and they get care.

There might be a free care pool in the state; there might not. It pays even less than Medicaid; and you know the costs have to be recovered somehow.

And, because you know the government does administrative pricing; there is only one outlet for it. So, it is very credible. What surprises me and is interesting among employers and what I would exploit actually if I were on a different side of policy maker; is that those of us, who do offer coverage, are paying for the employers that don't offer coverage.

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.

And, I think that you know when costs get bad enough; it is a matter of it's again, shared responsibility. It is; look, now remember many of them are our suppliers.

So, I mean if you are in a big company offering; you have some small companies that do wonderful stuff, incredibly innovative you know, and they can't afford or you know health care is out of the reach of their employees.

So, it is not kind of a simple issue that they are just being cheap and they don't want to cover it. I think that there are systemic issues.

But, I think at the end of the day; the idea that we are paying for employers that don't cover is an accepted fact.

KAREN DAVIS: Thanks very much. I am with that. I would like to thank Bob for a perfect ending to a terrific day; and also once again to thank Greg and Rick and his colleagues at the Century Fund for coming up with the idea of today's forum.

And, a special thanks to the Commonwealth Fund staff who have helped; but really all of the staff who have really organized a very rich program with terrific speakers.

But, even better Q and A, which is a tribute to everyone who gave their time to attend today. So, thank you all.

[END RECORDING]

¹ kaisernetwork.org makes every effort to ensure the accuracy of written transcripts, but due to the nature of transcribing recorded material and the deadlines involved, they may contain errors or incomplete content. We apologize for any inaccuracies.