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Curbing High Health Costs: The Linchpin for Successful Health Reform

By John J. Sweeney

Summary

We cannot realize our potential as a just society until every person in our country can count on affordable, high quality health care when they need it. In health care reform, the single toughest issue is cost control. Without cost savings, the debates over financing and the relative roles of public and private insurance programs are useless. No one can afford the system we have now, with its \$2.3 trillion annual cost and a super-sized inflation rate. Those who advocate universal health coverage without serious cost containment are dooming us to the awful choice of denying all needed care to some, or denying some needed care to all. We cannot make our economy work for everyone until we make health care work for everyone. And it will not work unless all stakeholders in this struggle accept responsibility when it comes to controlling cost and guaranteeing quality care. We must achieve affordable universal coverage not only for the sake of the young, the old, the poor, the working poor, and the middle class. We must do it in order to turn our economy around and make it work for everyone.

It's an honor to come before this prestigious forum, and bring you an urgent message from the 11 million members of the 56 unions that make up the AFL-CIO. The core of our message is the same as it has been since 1945 when Harry Truman issued the first call for a national health care program. Our message is this: We cannot realize our potential as a just society until every person in our country can count on affordable, high quality health care when they need it.

The AFL-CIO has been committed to a social insurance model of health care since, if you can believe it, 1881. We are committed to a system covering everyone that is paid for by government revenues gathered through a progressive tax system. This year, we're adding a sword's point to that commitment. We have no time left for dithering. We're in a perilous economic ditch and we will not dig our way out and fix our economy until we fix our health care system.

Earlier speakers at this conference have addressed the enormous challenges we face, the need for an extensive health care overhaul, the need to bring the practice of health care up to speed, the monied interests that make changes in health care so difficult, and the value of the social insurance principles that guide us — shared risk, shared responsibility, shared decision-making.

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There is little I can add to what has already been said here about the policy options and the payment reforms we should adopt. Instead, I want to talk to you today about the consequences if we don't get this job done soon — and some ground rules for going about it.

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Consequences of Inaction

We know what health care costs are doing to our people. The lack of health coverage led to 22,000 preventable adult deaths in 2006, which represents a average of one death every 24 minutes (Dorn 2008). According to the Commonwealth Fund, 42 percent of working-age adults — or 72 million people — have a problem paying their medical bills or go into debt to cover them. The share of adults prevented by high costs from getting the care they need rose from 29 percent in 2001 to 45 percent in 2007 (Collins et al. 2008).

Now we have the additional pressures of the deepest recession in nearly 80 years. Workers are losing health care when they lose their jobs. Children are left uncovered as entire businesses go bankrupt. States are unable to handle their Medicaid obligations. It would seem that our economic collapse has added to our health care crisis — and that is certainly true. But it is also true that our health care crisis contributed greatly to our economic collapse.

For the last 35 years, wages for workers in our country have been stagnant and health care costs have been a chief cause. Rising health costs are a primary ingredient in creating a low wage economy that was like a truck looking for a time and a place to crash. We in labor know the sad history all too well. We've been trying to bargain good wages for our members for all these years. Yet we have to forego pay increases to maintain our benefits and to keep premiums and co-payments under control.

The bottom line is that health care costs have been picking the pockets of working families for a long time. After basic expenses, families have been left with less and less money to spend and save. That has undermined the corner of our economy we call consumer spending. What have these families done to cope? They've taken on second and third jobs and sent more family members into the work force. They've borrowed — on their credit cards, from their home equity, from their retirement savings. And they've done without health insurance, leaving them vulnerable to what our dear departed friend Dr. Arthur Flemming used to call, “the vicissitudes of life.”

When the housing bubble burst and the credit crunch followed, our economy and working family budgets collapsed like so many houses of cards. Now we desperately need to restore those family budgets so middle class people can regain their hope, start spending again, and help stimulate our economy.

Our new president realizes that while the first bailout may have helped a lot of folks on Wall Street, what's needed now is to put money directly into the pockets of consumers on Main Street with a much-needed economic recovery package. But I submit to you, and to him, that one of the

most important things we can do to put more money into the pockets of the American people, in the short run as well as the long run, is to guarantee all families access to affordable health care.

Those who advocate universal coverage without serious cost containment are dooming us to the awful choice of denying all needed care to some, or denying some needed care to all.

Health care costs are leeching living standards from working families and draining life from our economy. The time to stop the bleeding is not tomorrow, not the next day, or the next, but today. In health care reform, the single toughest issue is cost control. Without cost savings, the debates over financing and the relative roles of public and private insurance programs are useless. No one can afford the system we have now, with its \$2.3 trillion annual cost and a super-sized inflation rate.

Those who advocate universal coverage without serious cost containment are dooming us to the awful choice of denying all needed care to some, or denying some needed care to all. Some years ago, we ran a full page newspaper ad in the *New York Times* that summed up my feelings about health care costs. The headline read, “National Health Care Reform Without Cost Controls Is Like Moving Furniture Into a Burning House.” What I’m preaching here is cost control — and the urgency of it. I’m asking each of you to help remind our new administration to put health care reform right up there on the front burner as an integral part of our economic rescue plan.

Health costs and economic issues are one and the same. About half the families filing for bankruptcy do so in part because of medical debts. Nearly half of home foreclosures are caused, in part, by health care debt and we have more than 8 million foreclosures on the way.

- Dorene, a worker in Oregon, knows what we’re talking about. Here’s what she wrote in a letter: “I worked for a manufacturer for over 15 years. My wages stayed the same for over 6 years as I found myself paying more and more for health care. Co-pays went up, the deductible went up, and the last year I worked there I was paying a portion of the premium. In late 2006 the company sent my production job to Mexico and China and I was laid off. I could not afford COBRA premiums. I am 2 years away from Medicare and unemployed and on the faith-based health care system: I pray I don’t get sick.”
- Teresa in Washington State also knows what we’re talking about. Here’s what she wrote: “I have a job with a union contract. Every year, I get a raise that works out to be about \$12.00 per week. About the same time each year, I get a memo from my employer that my family’s health insurance premium has increased by roughly the same amount. I have not seen a real increase to my take home pay in 12 years at my company.”

Corporate America is coming to understand what we’re talking about. U.S. companies that provide health benefits are at a significant competitive disadvantage in the world marketplace because our major trading partners already provide universal health care. And those same companies are equally uncompetitive with domestic firms in their industries that do not provide benefits.

Winds of Change

With all these moral and monetary pressures dramatized by our profound economic downturn, we find ourselves sailing before several winds of change.

- First, our new president won on a platform that included the kind of comprehensive health reform we need. *U.S. companies that provide health benefits are at a significant competitive disadvantage in the world marketplace because our major trading partners already provide universal health care.*
- Most economists agree that health reform is a pivotal element in turning around our economy for long-term success.
- Bipartisan support for meaningful health reform has grown over the past four years.
- The long-fractious health care field has begun to morph into a much more cooperative one.
- The Institute of Medicine has brought us even closer together by showing health care is still filled with mistakes, inconsistencies, outmoded structures and deep quality problems.

In addition, the ill-advised policy ideas advanced by the last administration were thoroughly rejected in the recent elections. We believe that private accounts, higher deductibles, more reliance on insurance markets and taxation of employer-provided benefits are off the table. What's needed now are some sparks from all of us so we can ignite a brushfire and turn it into a bonfire of public support that can command all health care players into action.

An important player that needs to come in from the cold is the business community. There are encouraging signs we may be able to avoid what happened in 1993 when they left us at the altar. The crisis is so grave that public pressure may propel this historic step—and even help us get it right.

Elements of Reform

All of us need to remind the Obama Administration of the urgency of the health care crisis and its undeniable link to economic recovery. We cannot make our economy work for everyone until we make health care work for everyone. And it will not work unless all stakeholders in this struggle accept their responsibilities when it comes to controlling costs and guaranteeing quality care. Here's my short list of what has to happen.

- No matter which policy and payment options are adopted, private insurers and health plans will have to accept a strong role for government as the public watchdog over costs, quality and coverage — and as the guarantor of a universal, public plan. Specifically, a strong public insurance plan is needed to assure coverage for all and as the driver for cost reduction and quality improvement.

- Drug and medical device manufacturers must be mandated to negotiate with the federal government over products sold to the elderly and other participants in public insurance.

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- Health care providers and organizations must be required to take steps to eliminate the disparities in care that exist today for minority populations.
- Employers have to be required to pay their fair share for health benefits — so that we can put an end to domestic business competition based on exploiting those who need work by denying them health benefits.
- Government must invest in the infrastructure for electronic patient records and for measuring and reporting on the quality of care against uniform national standards.
- Health plans, hospitals and physicians must be paid based on the quality of the care they provide and not be rewarded through dysfunctional “competition” based on duplicative, expensive technology. All purchasers, public and private, must tailor their payments to providers to evidence about what works best and help wean all of us away from the practice of trying out the “latest and greatest” treatment, — often without any reliable evidence of its comparative effectiveness.

Switching to a quality-based payment system is potentially the toughest nut of cost containment. But if we don't muster the political will to go there, we surely will be condemning our society to a future of heavily-rationed care.

Finally, Congress must decide to act sooner, rather than later. And we cannot afford to let them act alone. I fear that some in Congress still view our health care problems as only a question of who should pay the bills and what mix of programs are needed to cover everyone, but cost, quality and delivery systems must get equal attention. All of us must work together to provide a blueprint for our elected officials — because, without a balance of pressure, Congress will carve out a plan that benefits whoever has the most money and political influence.

For the first time in many years, we have the political advantage when it comes to meaningful health care reform and we must seize the moment. We must do it not only for the sake of the young, the old, the poor, the working poor, and the middle class who are depending on us. We must do it in order to turn our economy around and make it work for everyone. The AFL-CIO will be doing its part. I know you will be doing yours and that together we can and will finally turn this historic corner.

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