

**Remarks as prepared for Tevi Troy
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Thanks

Good day. Thank you for that warm introduction. I'm honored to have this opportunity to talk to you about our nation's greatest economic challenges — our health care system.

Intro

I am well aware that this statement comes at a time of grave uncertainty. News broadcasts and the front pages of our nation's newspapers all report on major concerns.

Here is just part of that list:

- Credit crisis
- Collapse of sub-prime mortgages,
- Falling housing prices
- Signs of inflation,
- Rising budget deficits
- Persistent trade deficits
- A negative personal savings rate,
- A weakening dollar,
- Higher oil prices,
- Tainted food and toy imports,
- The potential for recession,
- International terrorism,
- Hurricanes, wildfires, and other natural disasters

Obviously, these are significant challenges.

I just came from a meeting of President Bush's Cabinet where he talked about how we're responding to them:

- The importance of reinvigorating our economy through the stimulus checks;
- The need for more tax cuts;
- The need for a free trade agreement with Colombia;
- The eventual modernization of the Federal Housing Administration, Fannie Mae, and Freddie Mac.
- Secretary Paulson also talked about the resilience of our economy, and how strong its fundamentals are.

So when I include the rising costs of our health care system on that list, I do so with the understanding that I am talking a bit like the guy who walks up to you and tells you he knows exactly who is the toughest among the Four Horsemen of the Apocalypse — War, Famine, Pestilence, or Death.

Speech Purpose

As citizens of the American Republic, how do we confront and solve this problem?

- First, we must **define the problem**, so our fellow citizens understand the nature and depth of the problem.
- Second, we must avoid simplistic political fixes, study what already works in America, and **implement reforms that future administrations can build on.**

Joke — Stoicism by Proxy

Now when it comes to tough problems, there is a temptation to just try to push it onto other people. It's like that story about the husband and wife who go to the dentist.

The Coopers were shown into the dentist's office, where Mr. Cooper made it clear he was in a big hurry. "No fancy stuff, Doc," he ordered. "No gas or needles or any of that stuff. Just pull the tooth and get it over with."

"I wish more of my patients were as stoic as you," said the dentist admiringly. "Now, which tooth is it?"

Mr. Cooper turned to his wife. "Open your mouth, honey."

Defining the problem

I told you that's how we shouldn't do it. How should we do it?

I would like to talk about the nature of the problem, what we've done, what we're doing, and what still needs to be done.

When I was born 40 years ago, health care was about five percent of the entire economy. Today, health care costs three times as much. Our health care system is more than one-sixth of our GDP. Americans spend more money on health care than the entire economies of Spain or Canada — and more than the economies of every nation in Africa *combined*. And in just a few years, we will likely see health care consume 20 percent of our entire G.D.P.

Even more amazing, a recent PricewaterhouseCoopers study found that \$1.2 trillion of that — each year — is wasted.

\$81 billion to \$88 billion of that is because information technology is being used inefficiently. \$210 billion of that is due to defensive medicine — that is, ordering tests and procedures not because they're really needed, but because they could fend off a malpractice claim. Medical errors cost \$17 billion. Badly-managed diabetes accounts for another \$22 billion. And behavioral waste — that is, the costs of largely preventable chronic diseases like obesity and overweight — is another \$200 billion of waste. \$100 billion is wasted simply because people don't adhere to their doctors' advice.

The difference between the challenges of our health care system and the news filling today's headlines is simple: No one can argue with the inevitability of the challenges

presented by our health care system. This won't be like an unpredictable act of Mother Nature. In fact, for three decades, leaders from both parties and citizens from every background have witnessed the rising costs of Medicare, Medicaid, and health care increasingly burden our economy.

The most recent warning came at the end of March: For the second crucial year in a row, the Medicare trustees have issued a formal warning that our Medicare budget is pulling too many regular tax dollars from our federal budget. This course is unsustainable — and it will lead to the insolvency of the hospital trust fund sometime in 2019.

Secretary Leavitt warns that Washington's lack of response to such problems has numbed the American people with a "repeated cycle of alarms and inaction. Dire warnings have become a seasonal occurrence."

To address this issue, Secretary Leavitt has put forward legislation that would bring the regular tax dollars used to fund Medicare back into an acceptable range. In addition, the President's budget proposal submitted in February would extend the life of Medicare by 10 years. This would give us an entire generation to deal with the problem of rising Medicare costs.

Such sensible measures built on seeking consensus have been a hallmark of this administration. Unfortunately, such measures are often ignored in a Washington that is, at this point, interested more in partisan politics than practical solutions.

Secretary Leavitt and all of the Health and Human Services team have spent a lot of time over the past several months thinking about this and about how we could break through the Washington mind-set that this problem can wait until another day. I'm not going to upstage my boss, but I can tell you here today that on March 29th at the Newseum in Washington, D.C., he will be deliver a major addresses where he challenges policymakers to start getting serious about these problems. As Secretary Leavitt often says, there is a time in the life of every problem when it is big enough to define but still manageable enough to fix. So the Secretary is going to challenge people to fix this problem now, while we still can.

The people in this room understand that these problems are urgent — and will only become more difficult to solve the longer we wait. The laws of economics cannot be suspended indefinitely. We need to act to rein in the rising costs of health care and entitlements.

If you have any doubts about how costly health care can be for our economic growth, look no further than America's auto industry. Detroit is a microcosm of the challenges (and dangers) our health care system faces.

The Big Three — Ford, Chrysler, and General Motors — have all felt the crippling effects of higher and higher health care costs. Approximately \$1,500 of the cost of every General Motors car sold goes to paying health-care costs. In fact, the health care costs in

your average vehicle price tag are higher than the costs of steel. GM now pays \$4 billion a year just for retiree health benefits. These costs don't just drive up the costs of automobiles for U.S. consumers, they undercut GM's competitiveness — and projected across our entire economy make it harder for our nation to compete and lead the world.

Now, some people in Washington look at this big problem and offer a prescription: shift the costs of Ford and G.M. health care off the shareholders and onto the taxpayers. In other words, a single-payer system. Simply put, they want the federal government to determine prices, regulate doctors, and direct how your money is spent. For these advocates, the way to make our nation more competitive is by mandating more government control.

But a one-size fits all solution wouldn't work. No team of bureaucrats — even intelligent, highly trained bureaucrats — could hope to capture the millions of decisions made by consumers make every day that construct our health care system. It's simply too complex. To make any system that complex, you need a multiplicity of approaches in:

- How access is created,
- What types of research are pursued,
- What sorts of technologies are developed,
- How value is defined, and
- What solutions the markets provide.

Fortunately, citizens, taxpayers, and patients don't have to look far to see whether this prescription for a government-run system delivers what it promises. All over the world, we have seen same grim results wherever the single-payer prescription has been tried:

- Waiting lists for basic tests,
- Long lines for surgery,
- Restrictions on care,
- Fewer benefits,
- Fewer medical innovations, and
- Finally price controls and rationing.

For the past seven years, President Bush has sought a different answer to meeting the challenge of rising health costs. He agrees the government has an important role to play in our health care system. First and foremost, we have an obligation to protect the poor, the disabled, and elderly, which we do through Medicaid and Medicare, respectively.

The government can serve a second important role: as an agent of change. That's why President Bush has advanced policies that work with all the actors in the health care arena to put the doctor and patient at the center of the system, increase price and quality transparency, encourage greater accountability, and ultimately empower the consumer.

Secretary Leavitt and I have been honored to serve the President in this effort and to implement his vision. Together, we are building a health care system that will compete to serve your needs — and in the end will help our nation compete with the world.

What is the federal government doing to accomplish this?

- We are increasing competition.
- We are expanding scientific inquiry.
- And we are bringing the best minds to our most pressing problems.

Here are just a few of the ways we have sought to implement common-sense solutions to bring practical improvements to the system:

Medicare Part D

One of our most substantive reforms has been Medicare's Part D prescription drug program. This program has proven that in health care we can learn from every other sector of the American economy: consumers win when companies compete for their business. So in 2003, President Bush worked with Congress to create a system in which seniors can choose between companies competing to provide seniors with prescription drug coverage. The Administration decided to use the resources of the federal government to establish and fund the framework rather than to mandate decisions that consumers and companies would prefer to make for themselves. Congress defined a basic plan for seniors, but 90 percent of seniors made their own choices and chose plans that offered more options and better benefits. As a result of this competition, more than 38 million Medicare beneficiaries now have some form of prescription drug coverage. Costs are down, and satisfaction is up — 86 percent of seniors tell us they're happy with their plan. That's staggeringly high praise for any program — government-run or not.

Stem Cells

We have also made progress in stem cell research. A decade ago, scientists discovered how to isolate stem cells harvested from human embryos. It was an amazing scientific breakthrough, but one fraught with deep moral questions.

So in 2001, President Bush drew a line. He recognized that our society needed to take moral stand so our culture did not go down a path that cheapened life. So he decided to fund embryonic stem cell research with ethical conditions to ensure taxpayer dollars would not encourage the destruction of embryos. President Bush believed that technology and human genius can help us find ways around ethical gray areas — and toward a culture where every life is protected.

And the President's strong stand has been proven right. Recently, researchers succeeded in creating genetically matched stem cells *from adult cells*. The President's courageous decision showed that while we support technological advances, we can do so in a way that reflects the highest values of our nation. Now we're looking forward to seeing what advances and therapies are to come from this new discovery.

Health Savings Accounts

Health Savings Accounts are another example of how we are pressing forward toward a brighter health care future. Health Savings Accounts give more citizens more choices, make health care more affordable, and strengthen the doctor-patient relationship. By removing some of the distortions in our tax code, we are helping families gain more

control over their health insurance -- independent of where the work or what type of job they hold.

You all know how health savings accounts work. You open a tax-free savings account in conjunction with a high-deductible, low premium insurance plan. You can use the money in your HSA to pay routine medical expenses and you have the insurance in case of expensive emergencies or hospitalizations. Your employer can also contribute money to your account and help pay for your premium. But the especially attractive thing about HSAs is that even when you leave your job or begin a new year, your unspent money remains in your account. It is your property, and as long as you keep it in your account, it continues to grow tax free. For 2008, an individual can contribute up to \$2,900 and families can contribute up to \$5,800 to pay for current medical expenses or save and invest for future medical expenses.

More than four-and-a-half million Americans have already been helped by HSAs. Many were previously uninsured. As millions more start to take advantage of HSAs, they will discover there are incentives to get in shape, places to find the best health-care deals, and new ways to spend wisely. As a result, we will all feel the benefit as the rise in the costs of health care are controlled by smart consumers and less bureaucracy.

Community Health Centers

Another way to promote access for uninsured and underserved Americans is community health centers. In 2001, President Bush launched the Health Center Growth Initiative and set a goal to establish or expand health care options in 1,200 communities across the country. Since then, we have met and exceeded that goal. We have funded 1,236 new or expanded health center sites. That brings the total of comprehensive sites around America to over 4,000 — serving well over 16 million people — more than 5 million of them uninsured. In doing this, we are bringing more health care options where before there were few.

More to Do

These steps are significant progress. But we must do more — and in doing so, we must lay the groundwork for the next administration. That's why President Bush has set forth bold ideas to solve other health care challenges. I'd like to focus on one reform that will help reduce health care costs while improving quality: value-driven health care.

Americans pay nearly twice as much as many other nations pay for their health care. In addition, our health care costs continue to grow more rapidly than the general rate of inflation. In nominal terms, health care spending is growing three times faster than wages, for example. Unfortunately, these rising costs cannot be attributed to greater value being delivered by the system.

Even worse, we're not getting comparably high returns on our health care investments. Quality of care can be uneven. You may receive the finest medical care the world has ever known — or you may end up as the victim of an easily preventable medical error. And the quality of your care is rarely related to the price you paid.

Such a trajectory where prices rise independently of quality is unsustainable.

So what do we do about it? Measure quality and put that information into the hands of consumers and insurers.

Hospital Compare

We've made some exciting changes to Medicare's Hospital Compare website. You can see them by going to hospitalcompare.hhs.gov. All you have to do is enter your zip code and every hospital within 15 miles or the distance that you select will pop up. And by doing that, you can see:

- How the hospital fares on various quality measures;
- How the hospital fares on various outcome measures;
- The amount the hospital receives from Medicare for certain medical procedures;
- How patients at the hospital assess the care and treatment they received.

Let me give you an example. Suppose that your doctor tells you it's time to replace your knee, or hip. You can go to the website and find how often your hospital provided the clinically-accepted standard of care. Did your doctor administer an antibiotic one hour before the initiation of surgery? What percentage of patients were given the right antibiotic? What percentage of patients were given appropriate treatment to avoid blood clots? Not only that, you can also see how your hospital compares with neighboring hospitals and the national average.

This is only the beginning. Our vision is a day where there will be a much-expanded, more robust set of quality and outcomes measures and more detail on patient assessment of care.

You might say, that's all well and fine, but how helpful is it? What if I'm having a heart attack? I'm not going to stop and look at some website before I call an ambulance.

Of course you're not. But over 60 percent of hospital admissions are elective — meaning the patient schedules his admission. For those elective procedures, we want people to compare. We want people to know more. Information is power.

Electronic Health Records

Another key step is for creating a health-care system based on value is health information technology. So we are introducing interoperable electronic health records. In fact, President Bush has set a goal that, by 2014, a majority of Americans would have a personal electronic medical record.

Electronic health records help eliminate the paperwork and inessential bureaucratic data that detract from serving the patient. By personalizing the health care, we can measure what truly matters. For instance:

- Electronic health records will make it easier for your to get treatment whether at a hospital, clinic, or Wal-Mart, because you and your doctor will always have access to your records.
- Electronic health records will help reduce costly mistakes because they will let doctors and pharmacists know about your drug allergies and medication history.
- Electronic health records will make it easier for your doctor to read his colleague's notes about you. He will no longer have to read through pages and pages of handwritten notes to find the little details that can make a big difference in treatment.

There's an added bonus: electronic health records allow researchers to track treatment outcomes. This is important for two reasons:

- The first is so that they can gauge the quality of care.
- The second is so they can learn from clinical practice what works best.

The problem right now, and the challenge going forward, is that too few physicians use electronic health records. To correct that, the Centers for Medicare and Medicaid Services is launching a large new project to increase the use of electronic health records. The Centers for Medicare and Medicaid Services will provide \$64 million to fund electronic health records and e-prescribing for Medicare beneficiaries in some selected communities. The results will help transform our nation and usher in a new era of digital medicine.

In addition, the Centers for Medicare and Medicaid Services is launching a new demonstration project to get electronic health records into use at as many as 1,200 small and medium-sized physician practices. We expect the project eventually to reduce errors and improve health outcomes for an estimated 3.6 million Americans.

We are doing more than just expand the use of electronic health records.

- The Health Resources and Services Administration has awarded \$24 million to hospitals to speed adoption of electronic health records and other health information technology improvements.
- And we're working with the Federal Communications Commission on developing high-speed fiber-optic networks to link rural hospitals electronically. This will bring better care to many underserved communities — saving people time, money, and trouble.

Conclusion

By introducing innovative and competitive reforms like HSAs, electronic health records, and value data, this Administration has laid the groundwork to help patients and contain costs in our health care system.

Secretary Leavitt has suggested ideas for what can come next:

- Trigger legislation
- An entitlement commission
- A baby boom demographic commission

But these ideas have been rebuffed.

So the next Administration will have to make some tough choices to continue the work we've begun. But there is reason for optimism if we put our faith in the right place.

America has the most creative and dynamic economy in the world because we have the most creative and entrepreneurial people in the world. Many of them are in this room.

For America's dynamic economy to work — and to help it transform our health care system, we must trust in the people. We must in their creativity, entrepreneurship, and their capacity for self-governance and self-determination.

To solve the problems of the future, the next Congress and White House will need to trust in free markets, trust state leaders and most importantly trust the American people. We will have to move away from one-size-fits all bureaucratic solutions and show a faith in competition and innovation that will tailor care directly to the needs of all our people.

Of course, this trust may seem disconcerting to some. It is a little like that joke about...

Joke — Man in the Well

A man stumbles into a deep well and plummets a hundred feet before grasping a spindly root, stopping his fall. His grip grows weaker and weaker, and in his desperation he cries out, "Is there anybody up there?"

He looks up, and all he can see is a circle of sky. Suddenly, the clouds part and a beam of bright light shines down on him. A deep voice thunders, "I, the Lord, am here. Let go of the root, and I will save you."

The man thinks for a moment and then yells, "Is there anybody else up there?"

Some argue our health care system is some how so complicated it is beyond the realm of understanding. But that is why we must trust in the millions of minds of American consumers and entrepreneurs who have already unleashed new products, at less cost, at higher quality.

This is the realm of faith — but I believe that as this Administration's successes become more apparent, we can be confident there is no health care problem our nation cannot solve.

Thank you.