



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Contact: Carol Guthrie
202-224-4515

**“A Profession of Service vs. the Ownership Society”
Keynote Address of Senator Max Baucus (D-Mont.)
to the Catholic Health Association
delivered February 28, 2006**

The Book of Proverbs says: “The righteous [man] is generous and keeps giving.”

That has been the ethic behind the idea of health care as a profession of service. Service is a great virtue: service to family and community, service to church, service to society.

The Catholic Health Association epitomizes that service. I applaud your efforts to improve health care in this country. I commend your healing ministry to the poor, the underserved, and the most vulnerable. I salute your attention to the physical, emotional, spiritual, and social needs of every patient.

Now there is another theory about providing health care that is getting a lot of talk these days. Under this other theory, health care is not a profession of service, providing a basic human right. Under this other theory, health care is just another commodity to buy, in the “ownership society.”

Those who advocate the ownership society feel that it applies to all sorts of situations. Last year, they sought to apply the ownership society to Social Security, with private accounts. This year, they seek to apply the ownership society to health care, with health savings accounts.

The theory is that individuals, acting in their self-interest, are more likely to prosper if they have a stake in their success. If individuals have an economic stake in the game, societies will benefit accordingly.

To a certain extent, I agree. I believe strongly in the free market. I believe that free will drives human improvement. Without incentives to improve and innovate — including economic incentives — we would not have the likes of Bill Gates or Michael Jordan. The invisible hand has produced some remarkable results.

So naturally some would like to apply this principle in all cases. They argue that there is a healthy marketplace to be had for most everything, including health care. But I believe that one can extend that logic only so far.

-4 more-

This year, the administration has made health savings accounts the centerpiece of its health care agenda. The White House proposes \$156 billion in tax breaks to facilitate the use of these accounts.

Already, health savings accounts would allow individuals to set aside money tax-free, if they enroll in a high-deductible health insurance plan.

Savers could withdraw that money for medical expenses, tax-free. And unused balances could accumulate without limit. For healthy, wealthy individuals, these accounts can begin to look more like a tax shelter than a health plan.

The theory behind health savings accounts is to make consumers more sensitive to the cost of care. According to the theory, if folks spend their own money, they will be more conscious of the costs of the health services that they buy.

They will shop around for the services that they need. They will forgo the services that they do not need. That, in turn, will rein in rising health costs, which continue to grow unchecked.

Now that sounds like a good thing. Employer-sponsored health insurance premiums have grown at double-digit rates in recent years. Those premiums are expected to rise another 10 percent this year. That's not as bad as past years. But it is still three times the expected growth in wages.

I am all for controlling health costs. But I am not convinced that health savings accounts are the way to do it. To explain, let me tell you my own story.

In November 2003, I ran in a 50-mile race. The race was great — except that at mile eight, I fell and my head hit a rock.

Six weeks later, I was en route to a conference in Arizona and started to feel dizzy. I could not tie my tie. I had trouble speaking. So I went to the hospital. The doctors told me I had a subdural hematoma from my fall.

I underwent several procedures to get me well again, including one where they drilled small holes to drain fluid and blood that had built up between my brain and my skull.

But I survived, with flying colors. And then the bills came. And then the explanations of benefits came.

I have spent 27 years on the Senate Finance Committee. I write Medicare laws and tax laws for a living. And I can tell you that deciphering coinsurance from deductibles, charges from allowables, was some of the most complicated math that I have ever done. And that is not just because I had brain surgery.

Would a health savings account have made me a smarter shopper for those procedures?

I suppose that when I got off the plane in Arizona, I could have demanded in my dizziness that I be taken to the lowest-cost hospital in the area. I could have demanded that I be taken to a preferred provider.

-3 more-

And how would I have known whether that hospital was a good one? Frankly, as I expect many folks do, I cared more about quality than I did about cost.

What about the idea that health savings accounts would provide incentives to shop around for non-urgent care? Sort of like buying tires or a new home computer.

How is a consumer supposed to make choices based on price, when no one tells you what the price is? Providers' prices just are not transparent. They are not readily available.

Adam Smith said: “[Value] is adjusted . . . not by any accurate measure, but by the higgling and bargaining of the market.”

Well, how am I supposed to higggle and bargain for a good or a service that I do not understand?

As President Bush's former economist, Gregory Mankiw, once wrote: “When some people know more than others, the market may fail to put resources to their best use.”

The theory of health savings accounts assumes that as smart health-care shoppers, we will forgo unneeded care.

We will decide to pay for that which is most necessary. But — even if the situation had not been an emergency — how was I going to make the determination that I needed this procedure to relieve a condition that I did not previously know existed?

I believe in the marketplace. But in many respects, the purchase of health care is different.

The purchase of health care is different from the purchase of a car, different from the purchase of a house, different from the purchase of most any other consumer good.

As economist Kenneth Arrow pointed out some years ago, the purchase of health care is unique. The demand for health care is shaped not just by those who buy it, the patients. Demand also depends greatly on doctors' judgments as to what patients need.

I am not convinced that even the most motivated health-care shoppers — unless they are doctors themselves — can make these decisions in a well-informed way.

For these reasons, I do not think health savings accounts are the model to reform our health system. In fact, I think that they will make the problem worse.

Because health savings accounts are pretty favorable investment options if you are healthy, these accounts will pull the healthy and wealthy out of the insurance system that we currently have. And that will make insurance for those who remain in our system more expensive.

And that could also further burden our nation's health care safety net — Medicaid and the State Child Health Insurance Program. As healthier workers would leave the employer-provided health care system, making that system more expensive, more employers could drop coverage. And that could force more people onto Medicaid.

-2 more-

I appreciate your help in fighting the harmful cuts to Medicaid in last year's bill. I think that we can agree that the last thing that we should do is to further burden that vital program.

So rather than bring us together, health savings accounts would make our insurance market more fragmented, less cohesive.

I understand the logic behind some of these proposed reforms. The American employer-based health system grew out of World War II, when wage controls held sway, and employers lured employees with health benefits.

The President argues that our employer-sponsored health system discriminates against those who do not have insurance through their employers. That's true.

People often do not change jobs because they fear losing their health insurance. The White House argues that we instead need to have a system where insurance is portable, available to individuals in the open market.

But if the administration really wanted to make insurance more available in the individual market, it would make sense to propose reforms for the individual market. The White House has not made those proposals. So I believe that these proposals will make things worse, not better.

Mind you, I don't know whether the employer-sponsored system is the right answer. I represent Montana. Montana is an agricultural and small-business state.

Consequently, we have one of the lowest rates of employer-sponsored health insurance in the country. The current system is not serving my state well.

But for better or for worse, the employer-based system is what we've got. And the widespread use of health savings accounts will only weaken it.

So what is my solution?

I do not pretend to have all the answers. And based on the political lay of the land, I think that we are far from large-scale health reform in the near term.

Just look at Congress' response to Hurricane Katrina. Despite bipartisan efforts to provide temporary, 5-month Medicaid coverage for Katrina evacuees, the Senate leadership would not even take the bill up. And the White House actively sought to kill it.

We may well end up with a system not based on employment someday.

But in the near term, we should not further weaken what has become the cornerstone of private health insurance in this country.

That's why I have proposed employer tax credits, available to small businesses so they can provide — or maintain — coverage to their employees.

I have proposed tax credits of up to 50 percent for small firms — those with 50 or fewer employees — for the cost of health insurance premiums for their employees.

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The credit would not be limited only to employers who do not currently provide health benefits. It would be available to all qualified small employers.

The credit would give small employers the extra resources that they need to extend — or continue to offer — health benefits to millions of hard-working Americans and their families.

This would not be a panacea. But absent large-scale change, we should make the best with what we've got.

And along those lines, we also need to focus on getting the best care possible. We need to accentuate quality. We need to pay for performance. We need to invest more in health care information technology.

And we need to create a health care environment that fosters new approaches to prevention, health promotion, and disease management.

In 2004 I introduced a bill, based on MedPAC recommendations, to start paying Medicare managed care and dialysis providers based on quality. And last year, Finance Committee Chairman Grassley and I introduced legislation to expand pay-for-performance throughout Medicare.

Our bill passed the Senate as part of the budget reconciliation measure. But unfortunately, most of it was gutted by the conference committee.

I will continue my efforts to get pay-for-performance legislation enacted. The stakes — high costs and poor outcomes — are too great to do otherwise.

You know from experience that providing high-quality care is the only way to truly make your patients better. You believe it is the right thing to do.

As we push ahead, I appreciate your support as well as your ideas. I encourage you to stay in touch with your Members of Congress and Senators, as Mike Foster does. And I encourage you to keep showing them the good work that you do.

Because I do believe that you provide health care out of service: service to community, service to church, and service to society. I believe that you are the righteous ones who are generous and keep giving.

Together, I hope that we can advance a health-care system that works toward the common good, not a system that makes our health-care market more fragmented. Together, I hope that we can advance a system that serves not just economic efficiency, but also social justice.

For, like you, I believe that every American is not just an account, but a unity of body, mind, and spirit. For, like you, I believe that God created every person in God's image. And like you, I believe that our brothers' and sisters' health is a concern that we all, as a society, own.

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