



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

Opening Statement of Senator Chuck Grassley
Hearing, *Purchasing Health Care Services in a Competitive Environment*
Thursday, April 3, 2003

Today I'm pleased to welcome four witnesses who will help us explore how competition works in health care. Making health care in general – and Medicare in particular – more competitive has been a goal of many legislators over the years from both sides of the aisle. I believe that competition in Medicare, if done right, has the potential to change the lives of patients by lowering costs, improving benefits and increasing quality. Today our witnesses – all of whom have experience purchasing health care services in a competitive environment – will tell us what it takes to do it right. Before I turn to their introductions, I want to again acknowledge the bold commitment of President Bush in putting \$400 billion on the table this year to strengthen and improve Medicare. The President's principles include adding a prescription drugs and making the program stronger and better for beneficiaries. That means improved benefits and higher quality care more in sync with what's available in private insurance today, like we in the federal employees' plan have.

The President's principles look to the federal employees' plan as a model for Medicare. In the federal employees' plan, all workers – even those in rural states, including the postmaster in my home town of New Hartford, Iowa – have a choice of health plans. Employees choose among competing plans for one that best suits their own needs. Why shouldn't seniors living in the same town have that same choice? Unfortunately, our attempts to bring those kinds of choices to seniors in Medicare have failed, especially in rural states like mine, where insurance companies have given Iowans a "firm no" – even after we gave them bonuses and raised their base payments. As a result, Iowa seniors have few choices but fee-for-service Medicare. The environment is anything but competitive. So I will be especially interested in the views of those here today who have made competition work for their beneficiaries, urban and rural, and how we can replicate some of those success – and avoid some of those failures – in Medicare.

Our first witness is Abby Block, who serves as Senior Advisor for Employee and Family Policy at the Office of Personnel Management, or OPM. The OPM administers the Federal Employees' Health Benefit Plan, which requires plans to submit bids each year so that beneficiaries can measure a plan's value themselves. Next is Rear Admiral Thomas Carrato, who serves as Deputy Assistant Secretary of Defense for Health Administration. He oversees health plan policy and performance for TRICARE, the health plan that serves our nation's active and retired military and their families. TRICARE also utilizes a competitive structure for making its health care purchasing decisions. Third is Bruce Bradley, who serves as Director of Health Plan Strategy and Public Policy for General Motors, which, as one of the largest private purchasers in the country, provides competitive health plan choices to its 1.2 million employees. Finally, Lois E. Quam, Chief Executive Officer of Ovations, a UnitedHealth Group Company, will address her own company's experience with competition, providing us with a plan's perspective on what works, and what doesn't, when it comes to competitive bidding.