



May 11, 2012

The Honorable Wally Herger
Chairman
U.S. House Ways and Means Subcommittee on Health
Washington, DC 20515

Dear Chairman Herger:

Mr. Chairman, I am submitting this statement on behalf of the members of the Healthcare Leadership Council (HLC). The HLC is comprised of chief executives of the nation's leading healthcare companies and organizations, representing virtually all sectors of American healthcare. It has long been a priority of HLC members to protect the long-term sustainability of the Medicare program and to ensure that beneficiaries have access to affordable, high-quality, innovative healthcare.

There is no question that the Medicare program, as it exists today, cannot be sustained for future generations. Each day, 7,500 baby boomers are joining the rolls of Medicare and, on average, each of these beneficiaries is receiving three dollars worth of healthcare services for every one dollar they paid in payroll taxes. In 1965, when Medicare was created, the ratio of active workers-to-beneficiaries was 19-to-one. By 2030, there will be only two taxpaying workers supporting each beneficiary.

These statistics tell us that structural reform of the Medicare program is imperative. The current fee-for-service program in which the vast majority of beneficiaries are enrolled does not sufficiently incentivize value, cost-effectiveness, or positive patient outcomes. It is a program that pays for volume of healthcare services, but not necessarily for value-driven care.

There are different options available to address Medicare's fiscal crisis. One is, of course, simply to reduce the amount of money the government pays for healthcare goods and services. When provider payments are reduced, however, beneficiaries pay the price. Already, many physicians place limitations on the number of Medicare patients they will treat because of the program's comparably low reimbursement rates. According to a 2010 American Medical Association survey, 31 percent of primary care physicians already restrict the number of Medicare patients they see. Cutting payments for pharmaceutical products and medical devices will simply deprive seniors of access to lifesaving and life-improving healthcare innovations.

This is the primary flaw in the Independent Payment Advisory Board (IPAB) concept, which some cite as an answer to Medicare's financial challenges. Washington cannot simply make

arbitrary cuts in Medicare expenditures without adversely affecting the access to care and quality of care provided to Medicare-dependent seniors and disabled citizens.

Many tout the much-needed delivery system reforms that were part of the Patient Protection and Affordable Act (PPACA). While we agree that these reforms are a step in the right direction, we do not believe that they are enough; nor will these changes offer the array of choice that would be available to beneficiaries through a Medicare exchange model, similar to the Federal Employees Health Benefits Plan (FEHBP).

A more patient-centered approach to improving Medicare would involve using the power of consumer choice to drive value, quality, and positive outcomes. We support the concept of empowering Medicare beneficiaries with greater control over their own healthcare decisionmaking.

To be more specific, HLC has been on record supporting an approach that would give Medicare beneficiaries the option of remaining in conventional fee-for-service Medicare or moving into a competitive exchange in which multiple health plans would compete for beneficiary loyalties by offering high-quality coverage options at affordable premium rates. In order for such a competitive exchange to be viable, plans and providers would have to emphasize both quality and cost-efficiency, as well as ensuring affordability, especially to attract individuals with lower incomes.

This approach has worked successfully in FEHBP, under which members of Congress and federal workers choose from a wide range of competing health plans. The concept has also worked well in the implementation of the Medicare Part D prescription drug program. In Part D, offering seniors a choice of plans has resulted in much lower-than-projected program costs, affordable monthly premiums, and extraordinarily high beneficiary satisfaction rates.

The consumer choice approach will also be utilized in the state-based health insurance exchanges that serve as a cornerstone of PPACA.

Leaving aside the ethical question of whether seniors should have the same power of consumer choice that so many others enjoy, it appears clear that the Medicare program would gain greater sustainability from this type of reform. In order to convince beneficiaries to shift from fee-for-service Medicare to a competitive exchange, plans would have to offer affordable premiums and an appealing scope of coverage. Health providers would innovate to provide high-quality care in an environment that emphasizes cost-efficiency.

This is far preferable to an alternative in which arbitrary across-the-board cuts are made by government fiat, forcing healthcare providers to further restrict beneficiary access to care.

The fact is, policymakers are going to have to choose one of these directions. It is a fallacy to insist that we can maintain the Medicare program exactly as it exists today. Even the most recent Medicare Trustees report that projects program insolvency in the year 2024 is painting an unrealistically rosy scenario. As CMS chief actuary Richard Foster has pointed out, that projection is based on a scheduled 31 percent reduction in Medicare physician payment rates in 2013 that almost certainly will not occur. This tells us that the need to reform the program is even more urgent than commonly assumed.

Chairman Herger, we applaud you and your colleagues for shining a spotlight on this vitally important issue. It is imperative that Congress begin the process to reform, improve, and

strengthen the Medicare program. We strongly urge Congress to develop reforms that are patient-centered, that provide care that is both accessible and high-quality, that gives patients access to lifesaving medical innovations, and that sets Medicare on a path toward long-term sustainability instead of the short-term relief offered by arbitrary budget cuts. The Healthcare Leadership Council looks forward to working with you on this critical priority.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary R. Greal". The signature is written in a cursive, flowing style.

Mary R. Greal
President