

Outline of Remarks
at the
House Committee on Health Care
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Cornelius Hogan
Plainfield, Vermont

The Logic for Major Change

- The uncontrolled growth of health care
- How uncontrolled growth of health care is impacting our lives
- The consequences of continuing uncontrolled growth
- The consequences of doing nothing
- What won't work
- Why We have a chance to impact this problem
- What would astute business leadership do
- Some ways to begin

The Uncontrolled Growth of Health Care in Vermont

- 3.2 Billion
- Bigger than our entire government
- 14 – 15% of our economy (heading to 18% by 2011)
- Worth 10 UVM's
- Ten times what we spend on roads and bridges
- Rising at greater than 3 times CPI
- It's bigger than our taxes (and some would say is our taxes...shows up in every tax bill)

How Uncontrolled Health Care Growth is Affecting Our Lives

- The Issues are bigger than health care
 - Employer / employee relationships
 - School and community negotiations around teacher contracts
 - Longer term economic vitality of Vermont
 - The ability of government to adequately fund other worthy and important work
 - The increasing ‘bigness’ of the needed solutions

The Consequences of Continuing Uncontrolled Growth

- Extraordinary rising costs on all fronts
- Rapidly rising uninsured
- Health consequences of not having insurance
- Rising underinsured
- Out of control administrative costs
- Increasing concerns about quality
- The impact on discretionary income
- Employer and employee friction
- Accumulative impact of cost shifting

What Are The Consequences of Doing Nothing

- Change takes time, we will continue to lose ground for awhile even if we act strongly today
- Five years from now, for example, our health care bill will rise from 3.2 billion to 4.7 billion.
- At that point, each year we delay our health care will $\frac{1}{2}$ billion higher.
- 10 years out each year of delay costs us 1 billion.
- That's why we have to have a plan now.

What Won't Work...Incrementalism

- 200 bills introduced every biennium
- 24 bills passed every biennium
- Accumulatively have had NO impact on cost
- MSA's are less than 1% of the insured
- If doubled every biennium, in 10 years 16% of insured would have MSA's.
- In 10 years, even in 8 years, we've lost the war

Why We Have A Chance To Impact This Problem

- We Have A Strong Foundation
 - Comparatively favorable cost
 - Strong prevention record
 - A good infrastructure
 - We use our health care less
 - Quality is still sound
 - High medical ethics
 - Little detectable fraud
 - Excellent community hospitals

What Would Astute Business Leadership Do

- If it had similar problems of...
 - Shrinking market (more uninsured)
 - Out of control rising costs
 - Worries about quality of the product
 - In other words ‘big problems’

Business Like Strategies

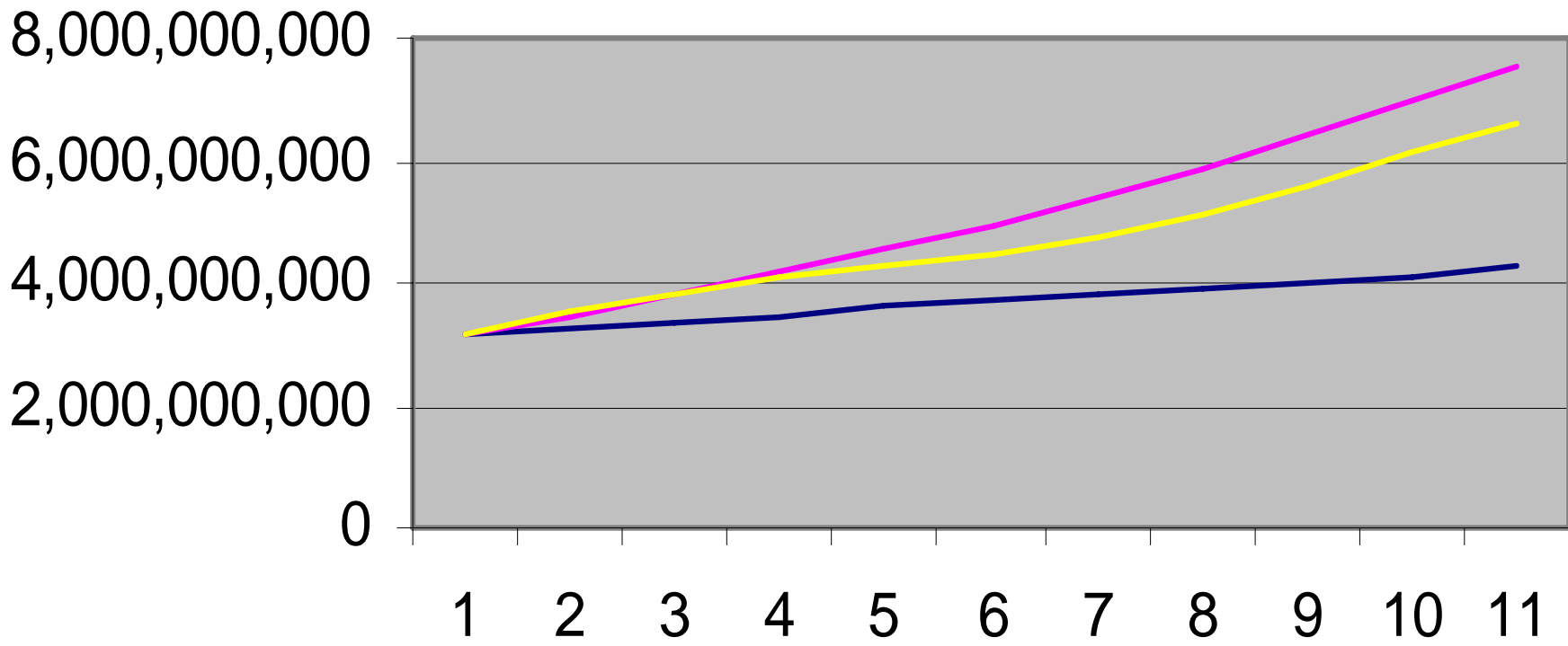
- Think beyond one year budgets
- Develop short, mid term, and longer term strategic plans
- Set clear mid term financial targets
- Consolidate the market (larger risk pools)
- Consolidate purchases to lower cost
- Use fixed costs more effectively
- Employ integrated information technology to fuel productivity
- Develop longer term marketing strategies (ie. Prevention)
- Simplify money transactions on all fronts
- Cut administrative costs in half
- Use the 80/20 business rule (ie. Get out of non core business activity, such as health care)

Some Ways to Begin

- Think about phasing over several years
- Adopt some fundamental principles about what we want (ie. Coalition 21)
- Set serious financial targets for the entire system
- Think about health care in all of our interest...not just an individual's interest
- Start thinking about health care as a whole and not just the pieces.
- Review significant integrated proposals for change
- Think about voting an entire proposal up or down.
- Have some tests for action

Coalition 21 Adopted Principles

1. Universal access to essential health care services.
2. Coverage for care that is comprehensive and continuous.
3. Continuous improvement of health care quality and safety.
4. Health care financing that is sufficient, equitable, fair and sustainable.
5. Built-in accountability for quality, cost, access and participation.
6. Engagement of all Vermonters in healthy lifestyles and informed use of the system.



- Health Care Expenditure if at CPI
- Expenditures if No Change
- New Expenditure Levels After Decreases & Increases

Some Tests for Action

- Will the proposed action actually reduce the cost of health care as a whole noticeably?
- Will the action impact the entire health care system?
- Will the action improve access to health care
- Will the action make this inefficient system more efficient
- Will the action be fair to all

What We Win... If We Win

- Everyone covered, more prevention, healthier population
- Moderating cost
- Continued high quality
- A major economic competitive edge
- School boards that focus on education quality instead of health care negotiations

Definition of Insanity

- Continuing to do the same thing
- (or almost the same thing)
- And expecting a different result

Alfred Einstein