

FORUM CLUB of Southwest Florida
Senator David Durenberger
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My thanks to the Forum Club, President Al Horton, and to my friend Patt Franciosi for inviting me to lunch with you today. It is a particular pleasure to renew acquaintances with many of you. And not to end this little talk with a request for contributions.

I served in the Senate with four presidents each of unique distinction. I will begin by quoting former President Bill Clinton who said recently of the challenges we face as a nation: "No one who has ever bet against the United States of America in the 230 years of our history, has ever won."

I am optimistic about this country and its people and its future. We are going through the most difficult period of time you and I have ever experienced. It is important to us to believe that this is a time that had to come.

Like some of you, I was born in the depths of the 1930s depression, when I was all my parents could afford to have. I finished military service and law school about the time the entitlement culture in this country began to flourish. For nearly 50 years we have learned how much we can have without paying for it. Not just in health, but in education, housing, energy and income security.

When the end came last fall, most of us, our children, and certainly the generation that elected President Obama all agreed: "This is a time that had to come." Actually I heard it first in my election in 1978. Three Republicans – two senators and a governor – were elected to statewide office in a presumptively Democratic state. Two years later we elected Ronald Reagan president and a Republican majority in the U.S. Senate.

To fight inflation that rose to 14%, Paul Volker and the Fed took interest rates as high as 22%. Unemployment reached 11% in MN the day I stood for re-election in 1982 and, like most of my Republican colleagues from Democratic-leaning states, was nearly defeated. We hung in there, and two years later Reagan was re-elected president carrying all but two of the 50 states. Just enough people, and elected officials, believed this was a time that had to come.

The electorate was moving from left of center to the center. People who once believed it was government's responsibility to guarantee their entitlement to rights of all kinds were coming to believe in earned rights and personal responsibility. Government's fiscal responsibility and the generational consequences of entitlement programs were of increasing concern. So was the expectation that government ensure the accountability of public leaders and of private and public institutions.

Public opinion has been telling us for quite some time that our leaders have been failing us. We need no more evidence than the inability of the executives of our major financial institutions to define cause and effect and cure. From **Greenspan** to **Bernanke** to **Paulson** to **Geithner** – no one can assure us-- or our president -- what course, what resource investment, will build sufficient investor and consumer confidence to end this economic spiral. As retired Medtronic CEO **Bill George** put it in last week's *Wall Street Journal*: "The real cause is failed leadership. Our wounds can be solved

only by new leaders." So, it is no accident, that the newly elected president laces all his remarks with reference to personal and institutional responsibility.

That said, I believe this is a time that had to come. I am glad it came in my lifetime so we still have the capacity to deal with it. This country is in the hands of new leadership, properly chastened, or so we hope. The primary elections for president in 2007-08 were a wonder to behold. Neither of the major party candidates for president in the November general election was considered a year earlier to be the most likely choices of their party. **Hillary Clinton** was pre-ordained to be president. Or so it seemed. On the Republican side, it appeared to be anyone but McCain – and John nearly dropped out for lack of funds in 2007.

On the evening of November 4, 2008 every one of us watched two Americans deal with our decision. In Arizona, a famed Vietnamese prisoner and the man whom **Ted Kennedy** recently called "the most effective person in the Senate," **John McCain**, delivered a concession speech which has few parallels in election history. Then a half-million people – stretched as far as the eye could see – watched in person as another Senator - the son of a Kansas mother and a Kenyan father - accepted our decision in Chicago's Grant Park. Turning another page in the history of the greatest democracy the world has yet to see.

Barack Obama was not the youngest person ever elected president of the United States. But he was the first elected in modern times by the children and the grandchildren of those of us from the great depression. I am optimistic, because the challenge of shaping our future has just passed to a new and excitingly involved generation of Americans. It is to them our political leaders must look to fulfill the promise of this election – and the new world, the new economy that must come from all we've been through. This so-called "Change we can believe in."

That leads me to the subject you asked I address today. From the perspective of now 35 years involved in health and healthcare reform at a local, regional, and national level. What's wrong with the U.S. healthcare system that leads to demands for its reform? And how will we ever get it right? Reminds me of the story my late colleague from Alabama, **Senator Howell Heflin** told after the failure of the Clinton health reform in 1994. Congressman Claude Pepper of FL died and went to heaven.

THE PRICE WE PAY FOR A DYSFUNCTIONAL MARKET IN HEALTH CARE

In all our efforts to reform healthcare in this country and again yesterday at the White House, we have always agreed that the best way to contain costs is to improve the quality and the value Americans receive for the money they spend. Republicans and Democrats agree on this. They disagree on the ways and means to do it. That makes it difficult.

It is difficult because the United States does not have a national health system like other developed nations where improving quality means electing a party that will spend more, and cost containment means electing a party that will spend less. Rather we have many systems that differ dramatically in their effectiveness.

It is difficult because for the last 40 years clinical research in America has demonstrated remarkable variation in the way medicine is practiced across this country and in its value to individual patients and to society. We have amassed incontrovertible evidence suggesting that much of the care

delivered in this country has no positive impact on our health. In some parts of this country, and in some parts of this state, the care is harmful to patients; and all of it is unnecessarily costly to us and to the society in which we live. Experts of every political stripe will tell you we are paying **\$2.5 trillion** this year for about **\$1.5 trillion worth of goods and services**.

Besides poor quality, safety, and unnecessary mortality, the result is a growing number of underinsured and uninsured people, harmful delays in dealing with illness, and greatly increased costs of emergency services, hospitalization, and of the last 24 months of life for the terminally ill. The excess of costs over value received could more than cover the cost of appropriate subsidization of private and public universal access or coverage.

Plus return all the investment costs in a value-based system, plus encourage employer continuity of coverage for medical and health management services. Plus have money left over to assure all Americans that Medicare and other valued access programs will never bankrupt us or cause us to have to raise taxes.

If what I've just said is true, then why can't our health professional and our policy leaders act on it? It's not because the research is faulty. It is because too many in the health care industry we've created are in denial that they are part of the problem. So it is difficult for them - the medical experts on whom we rely to diagnose our ills - to help us understand their own, and why change we can believe in is essential to our health and to our society.

Many in professional and political leadership allege that we have the best healthcare system in the world, that medical markets could work if only we had more skin in the purchasing game, and that any effort by elected public officials to change the system is socialized medicine.

As successful business people in this room know, markets depend on maximizing prices and sales volume. Producers compete over comparative value to consumers. We haven't been able to get there in healthcare for three reasons: (1) Most people are not spending their own money, and if forced to today, could not afford to. (2) None of us has the information we need to make either a choice of the health insurance that works for us. Or the doctor that we want to work for us. If we even have a choice of any doctor. (3) And, **most importantly**, in the doctor-patient relationship, we have too long delegated decision making authority to the doctor and have never learned to question how well he uses that power.

In other developed countries prices for medical goods and services are half what they are in the U.S. Not because medical markets work there. They have never been tried. Because in some form or another national government sets prices and producer subsidies and this determines volume and value. Ask any American drug, device or diagnostic company doing business overseas. Because we in America front-end the investment costs in medical research to cure diseases and improve drug, device and diagnostic technology. And every other nation reaps the benefit.

SUPPLY AND DEMAND SIDE EFFORTS AT HEALTH CARE REFORM

In this country, national reform efforts have focused on reducing the **supply** of medical services we are asked to consume. These reforms have taken the form of **supply regulation** – certificate of need (such as FL still has) before new hospital beds or multi-million dollar technology is acquired. Or **price regulation** as in the Medicare program's efforts to pay hospitals by diagnostic related groups

or DRGs. Or **insurance company managed care** which is supposed to make the doctor and hospital industry change behavior in exchange for large blocks of healthcare business. None have worked.

So, to the **demand** side, and the Republican sponsored efforts at consumer directed healthcare. Shifting costs to consumers in need of healthcare. Shifting from large group and employer paid coverage, to individual insurance with high deductibles, often financed with a tax-free health savings account. Without the information patients need to make good provider choices and incentives providers need to help patients make fully informed healthcare judgments, this is a demand reform ahead of its time.

THE HEALTHCARE SYSTEM WE CAN VISION FOR AMERICA

Last April I gathered 40 of the veterans of the last Washington DC effort at health care reform – that of Bill and Hillary Clinton – together for a weekend in Minnesota. They had been Democrats and Republicans, White House architects and Congressional leaders, Senate and House, conservative and liberal, members or staff. All are still engaged in some way in healthcare or policy.

We started with the dean of all Washington pundits, **David Broder** of the *Washington Post*, who wrote a book called *The System*, off our 1993-94 experiences. We talked with experts about how the system and the politics and the public have changed in 15 years. What plans are on the table this year? By Sunday noon we had agreed on many things and disagreed on almost nothing.

We agreed that what each of us experienced then, and what we have believed since then, was totally dependent on where we stood or sat – and none of us really understood all the forces that were at work. Until that April weekend.

We agreed that each one of us was willing to go anywhere, do anything at any time, to make sure the next president and congress that takes on the task gets it right – from the start. To us that meant the process, the environment if you will, is much more important than the plan. That taking the politics out of reform before you ever start is critical. That industry stakeholders may be in the room discussing what they can contribute to change, but they can't be in the middle of the room where and when the decisions are being made. Yesterday's White House Summit was an example of just that.

Most importantly, we all agreed that the key to success is the American people, not the people they send to Washington – either elected or their lobbyists. The key to effective reform is to change the policy at the top so that system reform will happen from the bottom up. The key to making that happen is presidential leadership. Only the president can give us the vision of what it would be like to live in an American health system. One that plays to our strengths rather than our weaknesses. No president I've observed has had either the understanding or the willingness to do this.

Until today. **Barack Obama** has no choice. He also has the gifts it takes. He is able. Is he willing? To give us the vision that enables us to see the future where it already exists. In communities in America. Like **Tom Friedman** in his campaign for a flat world, President Obama can show us communities in this country where you can see the future. Because health professionals have already seized the opportunity to begin to define it. We don't need a congressional stimulus plan to move us. We simply need to see where it is we need to go. I can tell you from experience, that that

vision will not come from the new Secretary of HHS; nor from the White House Czarina, nor from the powerful Finance and Ways and Means Committees of the Congress. It must come from us.

AN AMERICAN HEALTH SYSTEM

The genius of America lies in the fact that we are by far the largest representative democracy in the world that does not have a common gene pool. We are and continue to be a nation of immigrants. From every nation, culture, and religion in the world. In this diverse American culture are the seeds of inspiration, of ideas, of innovation and of the entrepreneur's willingness to bear risk.

A tradition of the immigrant nation and the representative democracy is not so much our government, but our commitment to community. To leadership at the local level. As Minnesota born and bred I recognize the debt I owe to those who can change the world without the title or the authority to do so. Only the power of an idea.

Earlier I referred to 40 years of health services research. That body of research demonstrates that the future of the American health system does not just lie ahead. It is here today. In community-based healthcare systems in many parts of America. Come with me to states like Hawaii and North Dakota, to communities like Richmond County, WA and Multnomah County, OR. To Ogden UT, Grand Junction, CO, Billings MT, Appleton, LaCrosse, and Marshfield, WI. Duluth, MN, to cities in Vermont and New Hampshire and to many places in California served by Kaiser-Permanente.

The genius of an American health system can be seen in physician-led organizations, often in competition with each other, with a tradition of putting patient care quality and improvement first. Right after improving the health of everyone in the communities they serve. They are saving money in amounts that would literally blow your mind when compared to other physician/hospital systems in this country. (Miami vs. LaCrosse Medicare Advantage).

The genius of our America is in communities like those I know in Minnesota which provide national leadership in addiction and behavioral health treatment. In the de-institutionalization of the developmentally disabled and the independent living movement of persons with disabilities – like Courage Center: In the treatment of mentally ill like Patt Franciosi – now a world leader in mental health. The multi-specialty group medical clinic movement, the HMO, the retail clinic, the medical device industry, the health home, and oh so much more.

The genius of America is our ability to respond to a demand for low cost, high value goods and services. Look at your iPod or Blackberry where do you find that genius at work in health care? The challenge to our healthcare system is therefore to create a demand for low cost healthcare services. We can do that by changing how we pay and how much we pay for high cost-low value medicine.

We cannot change our health systems without changing our attitudes and our behavior. The genius of America's past informs us that attitude and behavior change requires a shared sense of purpose – of "we can do better." Someone must articulate that purpose. Others must show us the way. In healthcare we'll know its happening when surgeons stop looking down on family practitioners; when medicine stops looking down on long term care docs; when docs stop looking down on what they have insisted on calling allied or ancillary health professionals.

When a Johns Hopkins University surgeon who adapts the commercial airline pilots' check list to the operating rooms of Michigan hospitals, saves 10,000 lives and \$175 million over 18 months gets the same recognition in the healthcare marketplace as Dr. Jarvik and his cholesterol drug that does about as much for us as eating Cheerios for breakfast. When Michael Pollan writes a book called *Omnivore's Dilemma* which has changed the food producing and eating habits of millions of us can actually bring down the price of healthy eating.

The genius of America is that in times of crisis we reflect on how much we have to learn from people with whom we could once afford to differ. From Democrats, liberals, and Ted Kennedy, labor unions and churches, we have learned the values of access and coverage. From Republicans, conservatives, Ronald Reagan, idealists, and businesses we have learned the values of personal responsibility, you get what you pay for, living within your mean, and "no free lunch."

Yogi Berra once said "If you don't know where you're going, any road will get you there." That's not worked in the past, so in his election campaign this president set a health reform goal of reducing the annual cost of health insurance to the average family which is \$12,000 a year, by \$2,500. Most experts agree that we'll know we are on the road to reform powerful enough to reach the president's goal when we see the following.

(1) Every person, every family should have its own doctor. By any developed world standard you can measure, America already has more doctors than we need to meet that goal. That is especially true when you add nurses, allied and ancillary health professionals. The problem is their income expectations, the lack of organized health systems in many communities, the affordability of health insurance, and the medical education and licensure system. As a result, we have shortages here and surplus there. For example we have nearly twice as many psychiatrists in Richmond County N.Y. as in all of Mississippi.

Redefine, redesign and reform primary health and healthcare, starting with health professions education. Family and community health includes everything from oral or dental health, to behavioral, addictive and mental health and can best be delivered by professionals who are motivated, trained, and paid to help us stay healthy. We can save 50% of the cost of chronic illnesses, which account for 75% of all the costs of healthcare, if we encourage better family and community health by paying health professionals to prevent, reverse, and delay chronic disease. If we reduce diabetes by 40% over the next 10 years we save Medicare from ever going bankrupt. If 50% we can reduce the Medicare payroll tax. Reduce heart disease by 40% in 10 years, Finland already did.

(2) Every person, every family should own a health insurance plan and a disability insurance plan. Health insurance should cover healthcare services; disability insurance should cover supportive services for people with disabilities at any age. After we change income tax policy to relate public subsidies for insurance premiums to the actual cost of basic benefits, government programs like Medicare and Medicaid can become income related subsidies for premiums.

This requires us to establish national rules by which insurance companies compete on the basis of the amount of our risk they are willing to assume, not to avoid. When we prove insurance markets work, then mandates for us to own insured protection can be put in place. It requires employer and

individual markets in which each of us has easily comparable information on a multiple choice of plans.

(3) Engage every person and their families in health and healthcare decision-making. The best way to reduce healthcare costs is to foster a health culture in all Americans and in health professionals. This focuses on food intake, nutrition and physical activity. At all ages.

The doctor-patient relationship on which all of us have grown up - and old - presumed the doctor knew best. And lawyers would get them if they didn't. No one believes that works any more. Today we believe in shared decision-making, the importance of an informed doctor and an informed patient, and that patient preferences should determine many of the decisions we make.

The new legal liability standard, already in place in the state of Washington, is called "Informed Patient Choice." Meaning your doctor is required to make available to you all diagnostic and treatment options known to science and their demonstrated ramifications for people like you. Then you are required to live with the therapy you choose. Absent negligence on his/her part.

(4) Implement financing policies in research and health care payment that reward clinical and process efficiency, hospital safety, and innovative information and medical technology policy. Markets should do this in healthcare. But they don't and they won't without changes in public policy. Public insurance programs like Medicare and Medicaid and private insurance plans must stop paying for things that don't work. We know what they are. We need the political consensus and will to stop. You wouldn't pay if it were your bill. Why should they on your behalf? The first step is already in the works. Stop paying hospitals for mistakes they make and for their repair. Next, stop paying them for avoidable illness and deaths they cause. Still almost 90,000 deaths every year. Then stop paying them for accidents and injuries they cause to their employees. Next...

Clinical efficiency. The per capita number of days patients spend in hospitals and the per capita number of physician services they receive while there is the major reason for variation in Medicare costs of more than 100% for the same procedure from one from one hospital to another. Much of the excess can be attributed to the supply of beds or the number of specialty physicians. Public investment in gathering the data to drive professional consensus is critical. As is the president's billion-dollar federal investment in comparing the effectiveness of various procedures and technology. Next...

Process efficiency. If Six Sigma is process perfection, you should know American medicine is currently at about 1.5 Sigma. Anesthesiology comes closest at 5 Sigma. The reason the industry doesn't change is that we haven't paid them to do so. The **Virginia Mason Clinic** in Seattle re-engineered their entire radiology department and ended up saving 30% of the costs it had been billing payers before they began. Unfortunately the clinic lost so much money they had to close down the department. Why? Because they were not rewarded with a lot more diagnostic business at their lower utilization and prices by patients and payers who for some reason preferred paying the higher costs elsewhere.

Policy efficiency. Eliminate cross subsidies of hospitals for uninsured, education, inefficiency and rural location. The cost shifts from Medicare and Medicaid to private insurance the control by professional societies over education, licensure, income and prices, performance definitions, competition.

On these four goals there is little disagreement. Getting from where we are to where an American system could be, challenges not so much our ingenuity or our beliefs or our desires, as it does our willingness to change. To trust those in political and professional leadership to lead us. First to consensus goals. Then to those who are already half way there. Finally to the public policy changes that will make it possible.