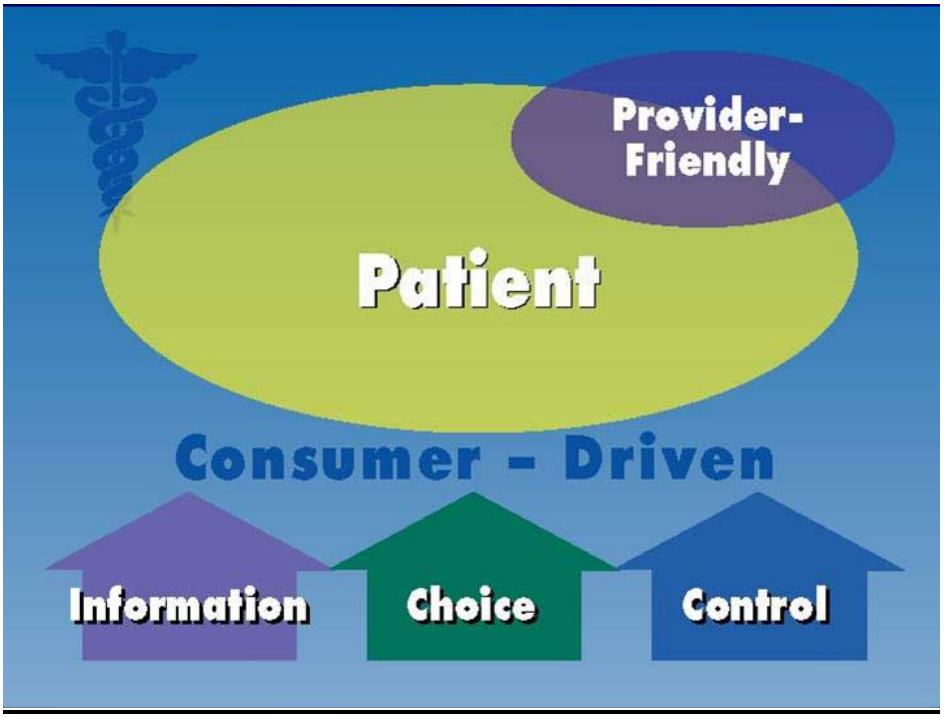
Summary of Key Policy Proposals
United States Senate Majority Leader William H. Frist, M.D.
Address to National Press Club
Monday, July 12, 2004

This document highlights several of the key health policy proposals outlined today by Majority Leader William H. Frist, M.D. Changes are already underway in the private health care market, accelerated by the new tax-free Health Savings Accounts, to give consumers more control over their health care decisions and dollars. The policies outlined today will help transform and re-create today's health care sector into a more patient-centered, consumer-driven, and provider-friendly health care system for the future. They incorporate and build upon the recommendations of the U.S. Senate Republican Task Force on Health Care Costs and the Uninsured chaired by Senator Judd Gregg (R-N.H.).

Transforming Health Care: A Patient-Centered, Consumer-Driven And Provider-Friendly Vision



Patient-Centered. The focal center of a re-created health care system must be the patient. A patient-centered system will assure that patients have access to the safest, highest quality care, regardless of how much they earn, where they live, how sick they are, or the color of their skin. The best way to control health care costs is to improve the care of the sick. Twenty percent of users account for over 80 percent of health care costs. Focus on the patient.

Consumer-Driven. A consumer-driven system empowers every individual—if they so choose—to make decisions that will directly impact the most fundamental and intimate aspect of their life—their personal health. It gives them the best information with which to make these decisions. It gives them a greater stake, and greater responsibility, in their own health care.

Provider-Friendly. Health care is delivered by providers—doctors, nurses, hospitals, and clinics. Doctors write 2 billion prescriptions a year. There are about 900 million doctor-patient visits per year. Providers are the river bed through which the river of health care flows. Unhappy and unsatisfied providers will lead to turbulent flow.

The practice of medicine is about providing the best possible care for patients. We can't achieve that by making doctors and nurses the enemy, tying them up with needless red tape and bureaucracy, and paralyzing them with frivolous lawsuits. Instead, we must create an environment where the doctor-patient relationship is the valued touchstone of our new, integrated, wired, and personalized health care world. Doctors should have more time to focus on their patients, real-time access to the latest in recommended care, and timely payment that rewards quality and performance.

This "patient-centered, consumer-driven, provider-friendly" model of 2014 will be energized and driven by three fundamental forces: information, choice, and control.

- ✓ Information. A consumer-driven model must rest on a foundation of timely and reliable information. Without accurate information that is readily available, the system fails. Information is the lifeblood. Unlike 2004, consumers in 2014 will have ready access to more complete and more patient-friendly information upon which to make informed decisions about their health plans, doctors, hospitals and their own care.

- ✓ Choice. Upon the foundation of information must be the framework of choice. Consumers must have the opportunity to choose. Whether it is their physician, hospital, health plan, or level of coverage, they will be able to choose what best meets their needs. Consumers will be empowered in making those decisions through responsible government oversight, and financial assistance. Government and employers will be facilitators and collaborators, rather than decision-makers, for the consumer. Not everyone will be a "prudent shopper," but those who do will drive the system to higher quality and more robust value.

- ✓ Control. The framework of choice, resting on a foundation of information, mean little, unless the consumer is given control. Control puts consumers and patients in the drivers' seat. Consumers must have sufficient financial resources to exercise choice. Providers must have sufficient freedom and opportunity to deliver unencumbered care. Doctors and nurses will be able to spend more time

helping patients prevent and manage disease. Both consumers and providers must be given the tools to hold the system accountable.

HEALTH CARE SYSTEM 2014 VISION

Universal Electronic Health Records

Policy Goals. A patient-centered system absolutely demands an Electronic Health Record. To empower wired consumers with information, choice, and control, we need to harness the explosive power of information technology.

Electronic Health Records must: (1) contain all necessary health information—from medical history to billing information; (2) be accessible from any internet portal; and (3) be capable of seamless use among all hospitals, doctors' offices, and clinics. Widespread adoption will reduce errors, improve quality, eliminate paperwork, and improve efficiency. Once fully implemented, this will dramatically reduce cost.

Specific Proposals

1. Within 10 years, all Americans should have Electronic Health Records that are individually owned, and privacy protected.

2. Government must establish universal interoperability standards within two years that allow the seamless flow of health information across computer systems.

3. All government health benefit programs, such as the Federal Employees' Health Benefit Program (FEHBP), the Department of Veterans' Affairs Health Care Program, and the Department of Defense Tricare Program, must have interoperable Electronic Health Records in place within 5 years-- by 2009.

4. Providers will be encouraged to rapidly deploy Electronic Health Records through payment incentives. The initial focus will be on academic health centers (the seat of health care training) and large hospital systems (who best capture economies of scale). Vulnerable patient populations cannot be left behind in this effort and, therefore, safety net providers will receive special attention as we develop this capability.

Focus on Health Coverage for Children and Low-Income Americans

Policy Goal. Despite Medicaid expansions and implementation of the Children's Health Insurance Program (S-CHIP) in 1997, there are over nine million uninsured children. Nearly seven million of these children live in families with incomes below 200 percent of the federal poverty line. Over 16 million parents and grandparents with family incomes below 200 percent of poverty also lack coverage.

We must provide more generous assistance to ensure all low-income Americans have affordable access to coverage, with a priority on helping low-income children-- and their parents—get health insurance coverage.

Specific Proposals

1. Enroll all 5.6 million eligible children in Medicaid and the State Children's Health Insurance Program (S-CHIP) within 24 months through a combination of streamlined enrollment procedures, increased financial outreach incentives, and a new national "Cover the Kids" enrollment campaign.

2. Provide generous refundable tax credits to all Americans with incomes below 200 percent of poverty, beginning with low income uninsured parents and children, that do not qualify for Medicaid or S-CHIP. These tax credits could be used to buy into either public or private programs. In addition, those low income people in public programs should be allowed to enroll in private coverage if they choose.

3. Double the capacity of our safety net Community Health Centers over the next 10 years. This will enable us to provide neighborhood-based primary and preventive care services to over 20 million uninsured and needy children and families by 2014, in about 8,000 new and expanded sights.

4. Invest more in prevention and public health. Smoking is the leading cause of preventable death in the United States, causing more than 440,000 deaths each year and direct annual medical costs of $75 billion. The prevalence of obesity, now the second-leading cause of death in the United States, has tripled in America's children since the 1960s. Along with it, we have seen a dramatic rise in diabetes, heart disease, and disability-related illness. It is estimated that one-third to one-half of all new childhood diabetes cases are type II—the kind associated with obesity. If we can stop bad behavior before it starts, we can save lives and save money.

Increase Personal Responsibility

Policy Goals. Higher income Americans have a personal and societal responsibility to cover themselves and their children. Twenty percent of uninsured are from families with incomes above $50,000. Over two million uninsured children live in families with incomes above $40,000. We can expand the size and quality of the insurance risk pool and reduce the number of uninsured if these individuals get health coverage.

Specific Proposals

1. Higher income Americans should be encouraged, through tax policy changes, to enroll themselves and their children in catastrophic high-deductible insurance policies.

Provide Affordable Health Coverage for All Americans

Policy Goals. Health care must be affordable for all Americans. At the same time, cost-saving measures can go a long way toward improving health care quality and value and reducing waste and inefficiency.

Specific Proposals.

1. Phase in a limitation on the employer tax exclusion and allow people who purchase individual health insurance coverage to fully deduct (before taxes) the cost of their insurance. This means that people will be treated the same under the Tax Code whether they buy insurance on their own or through an employer. This would replace the current inflationary and regressive Code provisions with a more equitable system.

2. Make insurance more affordable and more consumer-friendly. Give individuals and small businesses more purchasing clout through state and regional purchasing pools and Association Health Plans (AHPs).

3. Establish a new national publicly-chartered, privately-run "Healthy Mae." This would help insurers more broadly share risk, reduce administrative costs, and create a vibrant secondary market for health insurance just as we have done for home mortgages. It would make health insurance—particularly in the individual market-- more stable and affordable.

4. Pass medical litigation reform and patient safety legislation to stop the litigation lottery, curb frivolous lawsuits, and reduce medical errors. Ultimately, set up an expert medical court system with transparent decisions, limits on punitive damages, and scheduled compensatory damages to provide rapid relief to truly injured patients (instead of trial lawyers) and hold negligent doctors accountable.

5. Increase transparency and realign payment incentives to improve quality and efficiency. Some initial steps include fully funding government comparative effectiveness research and expanding Medicare pay-for-performance demonstration programs.

Encourage Long-term Care Security

Policy Goals. We have taken important steps forward to guarantee health security for our seniors in the Medicare Modernization Act. We have guaranteed millions of Americans affordable prescription drug coverage and access to preventive benefits, such as annual physical examinations. We need to build on this progress to provide further security for the growing long-term care needs of our nation.

The situation is bad, and getting worse. The need for long-term care services will increase as our nation ages and life spans lengthen. Yet, retirees have too few savings to meet these needs, and must spend almost all their life savings to qualify for Medicaid. The corresponding burden on Medicaid is huge. One-third of Medicaid dollars go to long-term care—dollars that are not being spent on health insurance for poor adults and children.

Specific Proposals

1. Provide a full above-the-line deduction for private long-term care insurance premiums.

2. Establish tax-free Lifetime Health IRAs, just like IRAs and 401(k)'s. These accounts can be used to save and pay for health care needs in your retirement.

3. Provide financial support for family caregivers.

Translating Science into Cures

Policy Goal. Translate promising biomedical research into tangible cures that help preempt illness, prolong life, reduce pain and suffering for Alzheimer's, Parkinson's, cancer, diabetes, and other illnesses.

During the next decade, medicine itself will change through genetically-based diagnostic tests and personalized, targeted pharmacologic treatments that will enable us to move beyond prevention to preemptive strategies. A whole new frontier of medicine will unfold where we focus on delaying the onset of illness in a pre-symptomatic phase of many diseases such as cancer, cardiovascular disease, and Alzheimer's.

Specific Proposals

1. Target more federal research dollars to an increased commitment to translational research.