Committee On Finance
Max Baucus, Ranking Member

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Senate Floor Statement of U.S. Senator Max Baucus regarding Health Care and Competitiveness

(WASHINGTON, D.C.) U.S. Senator Max Baucus delivered the following statement to the Senate during today's session regarding the U.S. healthcare system and its effect on competitiveness. As ranking member of the Senate Finance Committee, Baucus has been a leader on a number of issues related to keeping America at the forefront of the world's economy.

Today's speech comments on the burden of health care costs handicapping American companies in their race for global markets. Baucus suggests implementing a nationalized health IT system will help to improve American health care and help keep American businesses competitive.

Full text of the statement follows:

Floor Statement of Senator Max Baucus
Health Care and Competitiveness

Mr. President, every few minutes, a new Chevy Malibu — a popular 4-door family sedan — rolls off the assembly line of General Motors Corporation's Fairfax Plant in Kansas City, Kansas. The invoice price for the Malibu starts at about $17,600.

And every few minutes, a new Toyota Camry — a popular 4-door family sedan — rolls off the assembly line of Toyota Motor Corporation's plant in Toyota City, near Nagoya, Japan. The invoice price for the Camry starts at about $16,600 — about $1,000 less than the Malibu.

One reason for the price difference between the Malibu and the Camry is health care — yes, health care. For GM, health care costs amount to more than $1,500 for every vehicle that it produces. For Toyota, health care costs account for closer to $500 for every vehicle that it produces.

Two-thirds of Americans get their health insurance at their jobs. This system started in World War II, when the Government capped wages. Employers competed for workers by offering more generous fringe benefits. After the war, a Government tax preference further encouraged employers to provide health insurance.

Almost all Japanese get their health insurance through their government. That's true of pretty much every major industrialized country.

America's system has yielded high health-care costs. The average American spends more than $5,000 a year on health care. That's 53 percent more than the next most-costly country. The average Japanese spends only about $2,000 a year on health care.

Last year, GM paid $3.6 billion in health care costs for its 450,000 retirees and their spouses. When GM workers retire, GM continues to pay much of their health care costs, as part of the workers' retiree benefits plan.

This year, 1,200 Japanese Toyota employees will retire. Within 2 years, pretty much every one of them will switch from Toyota's health insurance plan to the Japanese national plan. At that point, Toyota will pay absolutely nothing in health care costs for those 1,200 retirees and their spouses.

General Motors provides more medical benefits than any other private entity. GM covers 1.1 million Americans, including workers, retirees, and their families. Last year, GM paid for more than 11 million prescriptions for its hourly workers.

Premiums for health insurance have increased 15 percent or more in many years. GM expects that its health care bill will go up $1 billion this year, to $6.2 billion. Last year, GM spent $1.4 billion on prescription drugs alone. And last year, GM put $9 billion into a trust fund to pay for health care costs.

In the late 1970s, GM controlled nearly half the American car market. Since then, competitors like Toyota, Nissan, and Honda have cut GM sales to about a quarter of the American market.

In the fiscal year ending March 2004, Toyota earned $10 billion in profits. GM has now been losing money for 3 quarters in a row. GM lost more than a billion dollars in the first quarter of this year alone.

Toyota is making nearly $1,500 a car in profit. GM is losing more than $2,300 a car.

Part of the blame for GM's declining market share lies with GM's inability to adjust to change. In the wake of the OPEC oil embargo, Japanese carmakers sold low-cost, fuel-efficient cars to American families. But OPEC imposed its oil embargo more than 30 years ago. And Japanese car companies still lead the way in energy-efficient cars. Today, only Toyota and Honda mass produce fuel-efficient hybrid sedans.

But part of the blame also lies with the American health care system. Carrying the burden of health care costs handicaps American companies in their race for global markets.

Americans are smart. And Americans work hard. But American manufacturers cannot compete with foreign manufacturers when American companies have to bear the extra load of these higher health care costs.

And you might think that, because Americans pay more for health care, at least we get better health care. But we do not.

The average American does not have better access to health services. 45 million Americans lack health insurance. 15 percent of our population is uninsured. Japan offers better access to dialysis and diagnostic imaging services than America does.

Nor do we have better outcomes. The average American woman can expect to live to age 79. The average Japanese woman can expect to live 5 years longer, to age 84. People can expect to live longer in Canada, France, Germany, Sweden, Switzerland, and Britain. And all of those countries spend less per person on health than we do.

And America's fragmented system yields high administrative costs. In 2003, administrative costs accounted for nearly a quarter of America's health care costs. That's $399 billion — 24 percent of what we spend on health care.

America is the only country in the industrialized world without a national health system. We do not have a single-payer system like Canada, Britain, or Switzerland. Instead, we have a system of uncoordinated payers, from private insurers to Medicare, from employers to state Medicaid programs.

America's massive $2 trillion health-care bill ought to buy more. America's health-care system needs serious reform.

National health care reform appears unlikely anytime soon. But we have at our disposal — if Congress can act — the means to attack some of the most glaring inefficiencies in our health care system.

We can improve health care by facilitating the use of health information technology. And we can improve health care by tying payment to the quality and value of care.

By encouraging investment in health IT, we can reduce unnecessary administrative costs, enhance patient safety, and improve quality of care. Let me explain.

America often invents new medical technologies. We often adopt new medical technologies early. We are leaders in the areas of drugs and devices, pills and procedures, science and surgeries.

But we have not complemented this innovation with the proper use of health information technology. The staggering cost of administering America's pen and paper system of health care claims proves the point.

30 to 40 percent of American health care transactions still rely on paper claims, according to health economist Ken Thorpe of Emory University. These claims can cost from $5 to $20 each.

But administering health care claims electronically can cut those costs to as little as 50 cents each. Thorpe estimates that requiring automated claims processing would save the Federal Government nearly $80 billion over 10 years. Significant savings would also accrue to the private sector, if it fully automated claims.

And proper use of health IT can prevent unnecessary medical errors, hospitalizations, and other health care services.

Each year, about 7,000 Americans die because of errors administering their medications. But technology can help ensure that medical professionals give the right drug to the right patient at the right time. We can help to do that by putting barcodes on all drugs. And we can help to do that by using health IT to link medication administration to a patient's clinical information.

The inability to exchange clinical data among providers often causes duplication of diagnostic tests. That duplication means unnecessary health care spending. And that duplication also means unnecessary exposure to X-rays and radiation.

We can help by making it easier for one doctor to pull up the X-ray that another doctor took just the week before. Duplication will be eliminated. The quality of care will improve.

Medicare spends $50,000 more for the average 65-year-old in Miami than for the average 65-year-old in Minneapolis. In their last 6 months of life, Medicare beneficiaries in Miami visited specialists six times more often than those in Minneapolis. They spent twice as much time in the hospital. And they were admitted to intensive care units more than twice as often.

By using health IT appropriately, we can reduce error and duplication, and overuse of services. We can also coordinate seniors' care to ensure that they receive adequate preventive care and management for their chronic conditions. We can improve seniors' health and quality of life. And we can free them from having to spend so much time in the doctor's waiting room.

Why is America falling behind in health IT? Part of the reason is a lack of investment. The health care industry invests only about 2 percent of its revenues in IT. Other information-intensive industries invest 10 percent.

As a result, many health practitioners in America have limited IT capability. In Britain, nearly all general practitioners — 98 percent — have a computer somewhere in their office. In America, extremely few small physician practices — just 5 percent — use anything but a pen and paper.

And we have to help ensure that health IT systems can communicate with one another. We need an agreed-upon set of standards so that health IT systems can work together. Otherwise, we will have a tower of Babel, preventing communication of critical health information.

We can do better. That's why I have worked with my Colleagues on the Finance and HELP Committees to introduce the Better Healthcare Through Information Technology Act. This bill will facilitate nationwide adoption of health IT systems. And it will help those systems to talk to one another. It will set up loans and grants to encourage the use of more health IT. And it will help us to improve health care quality.

We need to emphasize quality of care. Medicare is the dominant payer in American health care. But Medicare is at best neutral, and at worst negative, toward quality. Medicare pays for the delivery of a service. Medicare does not pay for the achievement of health.

And we see the effect. Patients receive recommended treatments only about half the time. And more care is often not producing better care.

Among the 50 states, levels of cost and quality vary greatly. In my home state of Montana, for example, Medicare spends about $5,000 a year per beneficiary. Quality of care ranks near the top. By contrast, some states spending around $7,000 a year per beneficiary have quality that ranks near the bottom.

States like Montana, with its higher proportion of primary care practitioners, often produce lower costs and better quality. Less-expensive care, when concentrated and patient-centered, can do more for a patient than high-cost services.

I have introduced a bill with my Colleagues Senators Grassley, Enzi, and Kennedy that will build value into the way that Medicare pays for services. The Medicare Value Purchasing Act of 2005 will provide higher Medicare reimbursements to providers who show that they are working to improve the quality of care that they deliver.

Together, these two bills that I have mentioned form a package. This quality bill goes hand in hand with the health IT bill that I mentioned earlier. Together, they will help to improve American health care and help keep American businesses competitive.

In his recent book about competitiveness *The World is Flat*, Tom Friedman talks about the need to strengthen what he calls the "muscles" of the individual American worker. Part of the solution to global competition, he says, lies in ensuring that the American health care system provides our workers with access to health care services, without placing them or their employers in financial jeopardy.

That means Congressional action on health quality. And that means Congressional action on health IT. I stand ready to work with my Colleagues to realize that goal.

Until we act, health care costs will continue to make America less competitive. Until we start investing in health IT, we risk falling further behind. And until we start paying for health care quality, we risk slowing our progress to a better future.

A little more than a century ago, in 1903, a man named Henry Ford established the Ford Motor Company in Detroit, Michigan. That same year, a man named Orville Wright became the first person to pilot an airplane in powered flight. Americans have been at the forefront of transportation ever since.

In 1929, the Duesenberg J — a premier 4-door luxury sedan — began rolling off the assembly line. The price for the Duesenberg J was fabulously expensive, starting at about $13,500.

Like the automotive industry, health care has come a long way in the last century. And like the automotive industry, health care needs to adjust to change. If we invest in health IT and start paying for health care quality, we can help both the American automotive industry and American health care to keep moving forward.

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