

# KENNEDY AND DINGELL FIGHT FOR MEDICARE FOR ALL

## \*\* BILL SUMMARY BELOW

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### FOR IMMEDIATE RELEASE

WASHINGTON, D.C.— Today, Senator Edward M. Kennedy, Chairman of the Senate Health, Education, Pensions and Labor Committee and Representative John Dingell, Chairman of the House Committee on Energy and Commerce, introduced their legislation to give all Americans quality healthcare. Their bill will extend Medicare to all Americans, from birth to the end of life and will reduce costs and improve quality, including more effective use of health information technology. It also puts a new emphasis on preventive care, because preventing illness before it occurs is always better and less expensive than treating patients after they become ill.

"The nation's health care has reached such a crisis point that the American people are looking for bold action. Our experience last year in adopting health reforms in Massachusetts shows that this can happen. Political leaders, business representatives, health experts and average citizens all came together around a health reform plan," Senator Kennedy said. "Congress should follow this lead. I believe that the best plan for the nation is to build on a program that all Americans know and respect by creating Medicare for All. Medicare administrative costs are low. Patient satisfaction is high. Patients can choose their doctors and hospitals. And all Americans will be free from the fear of medical expenses and enable them to seek the best possible care when illness strikes."

"Not only will covering all Americans improve millions of lives, it will actually save money by reducing emergency room costs and increasing access to prevention services and earlier treatments," said Dingell. "We will all reap the benefits of a healthier nation, a stronger economy and lower health insurance costs."

### MEDICARE FOR ALL QUALITY, AFFORDABLE, HEALTH CARE FOR ALL AMERICANS

Key points:

- America now spends \$2.3 trillion per year or \$5.3 billion per day on healthcare—more than we spend on food.
- According to the McKinsey Global Institute, excess spending in our healthcare system amounts to almost half a trillion dollars per year or 21% of current spending
- The value we receive for this spending is poor: over 46 million Americans are uninsured, yet we spend six times more on administrative costs than our economic competitors, while ranking high in medical errors and low in coordination of care for the chronically ill.
- According to the Institute of Medicine, the cost of lost productivity of the uninsured due to inability to get medical care ranges from \$75 billion to \$205 billion per year.
- According to the Urban Institute, providing coverage to all Americans would cost roughly 3% to 6% of current spending.

Medicare for All will achieve universal coverage, and address many of our healthcare system's greatest challenges by providing

- \* **universal coverage within 5 years through a three-stage phase-in;**
- \* **benefits equivalent to those every Senator and Congressman gets through their publicly subsidized insurance plan;**
- \* **choice of enrollment in Medicare or private plans through a plan similar to the one available to federal employees;**
- \* **fair financing through a payroll tax that will sharply reduce average employer health care expenses; and**
- \* **incentives to improve quality and bring information technology to medical care.**

## The Health Care Crisis

America's failure to assure the basic human right to health care to all its citizens was one of the great public policy failures of the 20th century. As a result, forty-six million Americans are uninsured, and the number of the uninsured is increasing at an accelerating rate. Even these figures understate the problem. Over a two-year period, 82 million Americans—one out of every three non-elderly Americans—will be uninsured for a significant period of time. No American family is more than one pink slip or one employer decision to drop coverage away from being uninsured.

Even for those who have coverage, health care costs are skyrocketing out of control. Health costs are threatening their livelihoods with health premiums rising over four times faster than their wages. Health care spending has reached 16% of GDP, the highest level in our nation's history. The bottom line is that Americans pay \$5.3 billion a day for health care, more than we pay for food.

Our dysfunctional health care system hinders the ability of American companies to compete in the global marketplace. Our health care costs much higher than our trading competitors, and our system forces employers and employees to finance a much higher proportion of costs than firms abroad because foreign systems rely much more on broad-based public financing. The heavy burden the health care financing system adds to labor costs in the United States also acts as a drain on hiring and provides an additional incentive for outsourcing jobs abroad. Fact sheets with further details on the crisis are attached.

## Medicare for All

"Medicare for All" will make health care coverage available to every American by expanding the Medicare program to the under 65 population. To promote competition and choice, enrollees will also have the option of choosing any of the plans offered to members of Congress, the President, and federal employees.

Costs will be reduced by administrative savings from moving to a Medicare-style financing system, by having a robust marketplace open to everyone for private plans, by bringing modern information technology to health care, by improving quality of care, and by rewarding health care providers based on performance, not just on the number of procedures performed.

To ease the transition to the new system, coverage will be implemented in phases. In the first, coverage will be extended to individuals 55-65 and to children and young adults under 25 years old. Within 5 years of enactment, coverage will be extended to all other Americans not already covered under Medicare.

## Benefits

Benefits available to the under 65 population under the expanded Medicare program will be the same as those provided under Medicare, with additional benefits appropriate to the wider age range served by the new program. Enrollees may also choose any private insurance plan available to members of Congress under the Federal Employees Health Benefit Program. Freedom of choice

Every enrollee in the expanded Medicare program is guaranteed the right to go to the doctor, hospital, or other health care provider of their choice, just as they are under the current Medicare program. This is a significant improvement over the current health financing system, under which insurers generally limit enrollees to providers chosen by the insurer or require them to pay high additional cost-sharing if they want to go to an "out-of-network" provider. Private health care delivery system

While the new program will be largely publicly financed, the health system itself will remain private. Just as under the current Medicare program, doctors, hospitals and other providers will continue to operate as independent, private entities. As under Medicare, the program will be largely be administered by private carriers and intermediaries.

## Eligibility and enrollment

Any individual with a social security number is eligible to participate in the plan and will be automatically enrolled in the extended Medicare plan unless they choose one of the private options. There will be the opportunity to switch plans annually, just as there is under the FEHBP program.

## Cost reduction through improved quality of care

Information technology can make a real difference in patient care. Computerized medical records, coupled with decision support software, can help avoid dangerous medical errors, assist in coordinating care for patients receiving services from multiple providers, help patients take responsibility for their own health, and improve the quality of care. Under Medicare for All, health care providers will be rewarded for improving the quality of care they give to patients. One measure of health care quality will be appropriate use of information technology systems that improve care quality and reduce costs

## Role of Medicaid and Medicare

Medicaid will continue to provide services to very low income and disabled individuals. The current Medicare system will continue to provide insurance for the over-65 population and for eligible disabled individuals.

### Cost of plan

According to the Urban Institute, the net additional cost of universal coverage ranges from 3 to 6 percent of current health spending or about \$70 billion to \$138 billion, assuming no other reforms. Substantial indirect and direct subsidies for the uninsured are already in the system. However, this proposal includes reforms that should generate significant offsetting savings:

- \* \$98 billion in excess administrative costs through open enrollment in Medicare for All, simplification of billing and claims, and the consolidation of marketing through the FEHBP;
- \* \$50 billion a year from reduced administrative costs to providers from dealing with a simpler, more uniform billing system;
- \* \$160 billion a year as the result of universal adoption of an electronic medical record and advanced information technology;
- \* savings from the prevention and better management of cardiovascular disease, diabetes, and certain types of cancer that comes with universal coverage; and
- \* reduction in premium costs created by a functional marketplace for private plans;

While the plan will create savings, there will be a significant transfer of costs from individuals and businesses who now pay for the cost of health insurance to public financing sources. In other words, the funding of insurance through the government will substitute for spending currently by businesses and individuals not add on to current private spending. Preliminary estimates of the transfer to federal spending are \$600 billion a year. The cost increase to the government will be fully covered by payroll taxes and general revenues and will not add to the deficit.

## Financing

The plan will be financed by a combination of payroll taxes and general revenues that will substitute for private payments. A preliminary estimate of the payroll tax financing necessary will be a payment of 7 percent of payroll by businesses and 1.7 percent by workers. By comparison, businesses providing coverage today spend an average of 13% of payroll to cover their workers.

Fact Sheets attached.

### The Burden of Being Uninsured:

- In any given year, 1/3 of the uninsured go without needed medical care.
- Eight million uninsured Americans fail to take medication their doctors prescribe--because they cannot afford to fill the prescription.
- Two hundred and seventy thousand children suffering from asthma never see a doctor. Three hundred and fifty thousand children with recurrent earaches never see a doctor. More than three hundred and fifty thousand children with severe sore throats never see a doctor.
- 27,000 uninsured women are diagnosed with breast cancer each year. They are twice as likely as insured women not to receive medical treatment until their cancer has already spread in their bodies. As a result, they are 50% more likely to die of the disease.
- 32,000 Americans with heart disease go without life-saving and life-enhancing bypass surgery or angioplasty – because they are uninsured.
- Whether the disease is AIDS or mental illness or cancer or heart disease or diabetes, the uninsured are left out and left behind. In hospital and out, young or old, black or white, they receive less care, suffer more, and are 25% more likely to die than those who are insured.
- Medical costs account for about half of all bankruptcies, affecting over 2 million people annually. More than 9 million families spend more than 1/5 of their total income on medical costs.

- According to the Institute of Medicine, the cost of lost work productivity of the uninsured due to inability to get medical care ranges from \$75 billion to \$205 billion per year.

#### Characteristics of the Uninsured:

- 81% of those without insurance are employees or family members of employees. Of these uninsured workers, most are members of families with at least one person working full-time.
- The uninsured are predominantly low and moderate income persons who cannot afford to buy coverage in the individual market. Approximately two thirds have incomes below 200% of poverty.
- 8.3 million children are uninsured, one-fifth of the total uninsured population.
- Large numbers of people in all racial/ethnic groups are uninsured, but minorities are disproportionately affected. One in ten non-Hispanic whites are uninsured; one in five African-Americans are uninsured, and one in three Hispanics are uninsured.

#### Health Care Costs

- Excessive inflation in health care costs not only burdens the economy but is a major factor in increasing the number of the uninsured. For each 1% increase in health insurance premiums, another 150,000 people become uninsured.
  - After several years of low growth, health care costs are now rising very rapidly. Health insurance premiums increased 10.9% in 2001, 12.9% in 2002, 13.9% in 2003, 11.2% in 2004, and 9.2% in 2005. The cumulative increase over the five years was 73%, while the cumulative increase in the CPI was only 13.6%
  - National health expenditures are projected to reach \$2.3 trillion this year and \$3.6 trillion in 2014, growing at an average annual rate of 7.1% from 2003-2014. As a share of GDP, health spending is projected to reach 18.7% by 2014.
  - According to the McKinsey Global Institute, even accounting for our greater wealth, the United States spends \$477 billion or about half a trillion dollars more per year than is expected based on our national income.
  - Claims processing and other administrative functions cost the health care system \$600 billion per year – money that could be better spent on patient care. America's fragmented health financing system is a major driver of these high administrative costs. We spend six times the average of OECD countries on administrative costs. In Canada, where health insurance is publicly financed and providers bill the government for all services rather than having to deal with a multiplicity of insurance companies with different rules and payment formulas, administrative costs are only about half as high as in the United States (16.7% of total health costs in Canada vs. 31% in the United States).
  - The administrative expense needed by the government to run the Medicare program accounts for only 3% of Medicare spending. By contrast, the amount of every premium dollar retained by private insurance companies for marketing, administration and profit is 14%.
  - The private insurance industry spends 64% of its administrative costs on medical underwriting and marketing alone which means that less than one-third of private insurance administration is spent on claims processing, fraud management, and care coordination.
  - Healthcare is one of the least efficient industries in America. Settling a single transaction in health care can cost as much as \$12 to \$25, whereas banks have cut their costs to less than a penny per transaction by using modern information technology.
  - According to a study conducted by the RAND Corporation, by utilizing advanced information technology and adopting electronic medical records for every patient, America could save over \$160 billion a year by reducing duplicative care, lowering health care administrative costs, and improving quality.
- Value Received

Even though we spend significantly more than our nearest competitors, studies of health outcomes and utilization in the United States indicate that Americans fare worse than their neighbors in quality and access to care on many important measures. Put simply, Americans are not getting value for our investment.

- Life expectancy in the US is below the OECD average.
- The USA ranks 26th in the world in infant mortality, below the Czech Republic and Cuba.
- 34 percent of American chronic care patients report medical errors – more than in any other surveyed country. No other country exceeds a 30 percent error rate.
- 16 percent of American chronic care patients do not have a regular doctor – twice the 8 percent level of the second highest

country.

- Only 50 percent of U.S. chronic care patients have been with the same doctor for 5 years or more. In the second-lowest country, 61 percent have such continuity of care.
- 33 percent of U.S. patients experience problems with coordination of care, such as results failing to reach the doctor's office in time or redundant medical tests. In the second-highest country, 26 percent experience such coordination problems.
- Only 55 percent of medical care received is medically appropriate, the remaining 45 percent reflecting either underutilization or overutilization.
- Americans consume 20 percent fewer prescription drugs than patients in Germany, Canada, and the United Kingdom but pay 70 percent more.

#### Burden on U.S Competitiveness and Job Growth

- Government data, industry surveys, and interviews with employers indicate that many businesses remain reluctant to hire full-time employees because health insurance has become one of the fastest growing costs for companies.
- A recent study found that employers have reduced hiring in response to rising health insurance premiums, and that industries with higher health care costs have had slower job growth. This has been especially true for the manufacturing sector.
- U.S. employee benefit costs—of which health care is the largest component—for manufacturing firms are higher than most of its major competitors and the private share of overall health expenditures is much higher in the U.S. than it is for its major competitors.
- Ten percent of the total cost of a ton of steel manufactured in the United States is consumed by retiree health benefits alone. Starbucks now spends more on health care than it does on coffee. The difference between the way health care is financed in Canada and the U.S. saves the Canadian auto industry \$4.00 an hour in worker compensation compared to the U.S. The Canadian branches of the big three automakers have released a joint letter with Canadian Auto Workers Union stating that the Canadian health care system is a “strategic advantage for Canada” and “has been an important ingredient” in the success of Canada’s “most important export industry.”

#### Press Contact

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