

(Rush Transcript)

FEDERATION OF AMERICAN HOSPITALS (FAH)

**OPENING SESSION OF THE 2010
FAH PUBLIC POLICY CONFERENCE AND BUSINESS EXPOSITION**

**INTRODUCTION:
WILLIAM CARPENTER,
CEO, LIFEPOINT HOSPITALS,
2010 CHAIRMAN, FEDERATION OF AMERICAN HOSPITALS**

**CHARLES N. KAHN III,
PRESIDENT, FEDERATION OF AMERICAN HOSPITALS**

**SPEAKERS:
SECRETARY KATHLEEN SEBELIUS,
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

SEN. BOB CORKER (R-TN)

REP. STENY H. HOYER (D-MD)

SEN. BEN NELSON (D-NE)

SEN. EVAN BAYH (D-IN)

**TUESDAY, MARCH 2, 2010
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*Transcript by
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MR. : Federation of American Hospitals Chairman Bill Carpenter.

(Music.)

BILL CARPENTER: Good morning and welcome, everyone, to the Tuesday plenary session of the Federation of American Hospitals. I'm Bill Carpenter, the chief executive officer of LifePoint Hospitals and the 2010 Federation chairman.

As our first order of business this morning, I want to offer a very warm thank you to everyone present for making the meeting so far such a phenomenal success. I heard great comments about yesterday's program and I'm really excited, looking forward to today. I'm especially pleased to hear the many positive comments regarding yesterday's buyer exposition. So on behalf of the federation board of directors and the board of governors, I want to express our appreciation to all of you here for making this meeting a must-attend, especially in these challenging economic times and with your very busy schedules.

Also a huge thank you to our sponsors whose company names were on the screens before the program and whose names are also published in the printed program. Their generous contributions make our conference better. In particular, special acknowledgement goes to the significant contribution of GlaxoSmithKline for sponsoring the Buyer-Supplier Reception last evening and to Baxter Healthcare, Press Ganey and Trane for sponsoring this morning's session. We're all greatly indebted to our sponsoring companies and the federation appreciates the ongoing support they provide.

Now, our purpose today is to ensure that we avail ourselves of all of the educational opportunities in today's session and workshops, which will unquestionably assist us in our mission to provide our nation with the highest quality patient care at the most affordable prices. Now, it is time to begin hearing from our featured speakers. What a great line-up that we have today. For that, I'll introduce Chip Kahn, president and chief executive officer of the federation, who will introduce our morning speakers. Chip?

(Music.)

CHARLES N. KAHN III: Well, thank you, Bill and I want to thank everyone in the audience for being here this morning. This is my ninth year at the Federation and this is the best turnout we've had at our meeting since I've been here and I just want to express my appreciation to everyone that's come. I hope you're enjoying the meeting. You really have a great morning in store this morning and so let's get it kicked off.

Our first speaker this morning is one of the most engaging and recognizable members of the United States Senate. Even as a freshman senator, he has made his mark as a leader who has

come to Washington to address the nation's problems. He is no stranger to us because so many of the federation family come from his home state of Tennessee.

Sen. Corker was elected to the Senate in 2006. At his swearing-in ceremony, he had the distinction of being accompanied by two former Senate majority leaders, his predecessor Sen. Bill Frist and former Sen. Howard Baker. The senator's roots go deep in Tennessee.

Currently, Sen. Corker is the ranking member of the Special Committee on Aging; a member of the Energy and Natural Resources Committee; the Banking, Housing and Urban Affairs Committee, and the Senate Foreign Relations Committee.

Most recently, he has been working to build bipartisan consensus to reform the nation's financial system, and you probably read about that in this morning's paper. Sen. Corker has a keen interest in the hospital industry and he understands health care issues. We are delighted that he is with us today. Ladies and gentlemen, Sen. Bob Corker. (Applause.)

SEN. BOB CORKER (R-TN): Thank you very much. I am thrilled to be here. I'd hoped to be here last year – I know you had an outstanding meeting then, too – but I'm so glad to be with you.

We have companies representing my state – or from my state, at least 12 of them here – and I'm proud to be from a state that really has been a leader as it relates to for-profit health-care services. I think that has certainly added a great deal to our nation's fabric.

I know that all of you care a great deal about what's happening here in Washington right now as it relates to health care and I also know that you have a number of people that are coming forth throughout this morning to talk to you about health care. I know each of you are handicapping what you think may be happening. I will tell you that you probably know more about what may happen politically than I do. I've been far more engaged right now in financial regulation.

So what I thought I would do this morning is talk about three things: mention a little bit about the health care debate itself, talk a little bit about just the environment here in Washington and then talk about financial regulation.

Again, there are going to be so many people here today to talk with you about what's happening in the health-care arena. But thank you for coming to Washington. I know a lot is at stake for all of you and your respective areas in health care and I want to thank you for what you do; for continually being those people who innovate, who drive our health care system ahead and certainly for the role that you play in our economy overall.

First of all, the health-care debate. For what it's worth, I know that we have people on both sides of the aisle in the room here. When this debate began, there was probably 80 percent agreement on most of the big issues that needed to be dealt with. And the fact is that there were plenty of Republicans and Democrats in the middle that had ideas as to how to create additional access to our health-care system.

There was a Wyden-Bennett bill, which in many ways blew up the whole world as it relates to relationships to health-care providers but it was a thought that related to exchanges. And many of you opposed it, some of you supported it, but the point is, it showed that there were Republicans and Democrats that were both focused on figuring out a way to lower costs using some of the principles that many of you use in the private sector, but at the same time create additional access.

I will tell you that over the course of the debate, things have moved apart. And I think at this point – and I think all of you know – that it’s almost impossible at this point to end up with a bill that’s bipartisan. And I know that you know the administration is looking, and as is the House speaker and the Senate leader – looking at ways of causing health care to occur in a very partisan way.

I don’t see any way at this point, unless there’s a major retraction and a stepping back, that we end up with a bipartisan bill. My observation from the outside is I just don’t see how the House gets the votes that it needs under the present scenario to actually move through and do reconciliation.

Y’all will have other people today that will speak to that. To me, it looks like a very difficult lift. And to me, what I hope will happen is there’s a major stepping back and we do something that’s more modest and move through this in a way that is not damaging to our economy.

I know that the way that the bill is now negotiated, you guys kind of win either way. I know that you want to see additional access; I know that you’ve worked out things in such a manner that your particular industry wins if the bill passes. And, you know, I’m happy for you in that regard.

I think that the major issue that concern Republicans was the fact that we had a \$464 billion savings that was coming out of Medicare. I never debated those savings and I know that you were a part of that, but I think what most of us were concerned about is that, that savings was not being utilized to basically prolong or lengthen the life of Medicare, which has about a \$37 trillion unfunded liability. And that really was the issue that separated Republicans from Democrats.

I think many of us were very open to changing the tax code, looking at the employer exclusion. Capping it at 17 grand creates about \$450 billion that could be utilized to do many of the things that the bill now does for your particular industry.

But on that one point, I authored a letter to Sen. Reid, shared with him that if we were not going to use those savings to lengthen the life of Medicare, that Republicans would not be able to support the bill.

It continued to be a central element of this health-care legislation. It continued to be the thing that separated Republicans from Democrats. And your guess is as good as mine as what's going to happen over the course of the next couple months.

So with that, let me move on and say that this whole debate has caused the atmosphere in Washington to be incredibly partisan on almost every issue. And I want to say that I know that all of you are businesspeople, just about. Many of you look at what we do here in Washington with great disdain. The American public looks at it that way.

I know I'm a business guy; I came from the business world. I have a six-year lease to serve in the Senate that the people of Tennessee have given to me. And I want to say to each of you that I think you would actually find what we do here to be intriguing, to be challenging, as long as you looked at it as a six-year lease and not some term where you're trying to consider how you might be reelected over and over again.

So I want to say to you again: I'm a business guy. I love what I do every day waking up and I came here to solve problems. And I find the challenges of the issues to be intellectually stimulating, I find the people that I deal with to be mostly fairly intelligent – (laughter). I find it to be a great – I deal with a lot of people on the outside, I want you to know – (laughter).

And I think the greatest privilege that we have here in the Senate, and I think something that each of you would find to be pretty stimulating is the fact that in the mornings, when I wake up and I read an op-ed in The New York Times or The Washington Post or The Wall Street Journal, if there are thoughts in that op-ed that I find to be helpful in whatever debate that is taking place, because I'm a United States senator, I have the ability to get that person on the phone, to read the white paper that helped generate that and to actually get them in the office to actually talk through that particular issue. And so I think for each of you, if you would look at what we do here in the Senate, as possibly being able to do that, I think you would actually like doing what I do for a short period of time.

It is intriguing and so when I look at where we are as it relates to this partisan atmosphere, it's very troubling. And the fact of the matter is, both sides – I've said this publicly before – both sides spend most of their time in meetings, at lunch meetings – Republicans meet three times a week, Democrats meet two times a week at lunch. Most of the time that we spend is spent on figuring out how to win. Far too little time is spent on policy issues. And for that reason, it's my belief that we're not appropriately trying to solve our nation's problems.

Now, I will say this, that in an effort to deal with the economy, I think the greatest thing we can do is create predictability. I mean, at the end of the day, what you guys want to know is, what are the rules of the road? You'll figure out a way of dealing with your particular industry once you know the rules of the road.

And I think one of the things that the hyperactivity here in Washington is doing today is hurting the economy. People do not know what's going to happen with cap-and-trade. People do not know, employers do not know, what's going to happen with health care. We announce a program a week as it relates to jobs; things that, to me, all they do is, again, increase the lack of

predictability. And that's why on financial reform I chose to step out, to step away, to try to figure out a way to deal with the issue.

In our financial industry right now, people are hoarding cash because they do not know what the rules of the road are. The larger institutions in this country would like to make some acquisitions or make changes but they don't know what the rules are. And so I've chosen and I'm hoping that, over time, numbers of people will step out and agree to a bipartisan solution to financial reform.

Let me just tell you the components that we're trying to deal with. Number one, obviously, if you listen to Chairman Bernanke's comments leading up to this last debacle that we've all dealt with, when he came into it, he was making comments about where we were, and yet many of those were off-base.

I voted for Bernanke, by the way, to be reaffirmed; I'm not a Fed-basher. I think the Fed has made lots of mistakes, like most regulators in this country have, and if we were going to throw all of them out for making mistakes, we'd have to start, literally, with a totally clean slate.

But the fact is that we didn't have a lot of information that was necessary and people at the regulation level were really not looking out in a macro way, trying to understand what was happening systemically. And so at the same time, I don't want us to have a new regulator that just roams around the economy.

And so in essence, one of the issues we're focused on is something called a systemic risk council, where regulators across various disciplines meet on a periodic basis to actually look at what's happening. But even more importantly, we create a mechanism that over time, has the ability to actually take much of the data that is not really information – it just comes in – and transform it on a daily basis into live information that allows these regulators to actually understand what's happening in our economy, understand how we're waiting up on CDSs and other types of things, other types of derivatives.

Secondly, we want to make sure that we end the whole notion in our country of having any organization that's too big to fail. I mean, basically what we've done over the last year-and-a-half is totally rewrite American capitalism because people constantly are talking about the fact that there are some organizations in this country that are too large to fail. And that's affecting not just our country; it's affecting the world because Europe and others have begun to take up that type of vocabulary, if you will.

And so one of the goals of this legislation is to absolutely ensure that if a company fails, it fails; that there is a resolution mechanism that causes a large bank-holding company or complex financial institution to go out of business but do so in a very orderly way. I think that is the most major contribution that we can make.

Thirdly, obviously, we want to deal with derivatives. And I just was handed a letter by one of your members because some of you are end-users of derivatives. But we need a regime with derivatives that actually causes them as much as possible to be a part of a clearinghouse or

an exchange but at the same time doesn't penalize people that use derivatives as an end-user to actually mitigate risk. If you create a regime that actually discourages people from using derivatives, what you can do in our financial system is actually create greater risk.

Obviously we need to address credit-rating agencies. The administration has made a strong push towards consumer protection. There's no doubt that there were gaps as it relates to consumer-protection; it existed. And I think there's a possibility that we're on the verge of coming up with something that deals with consumer protection in an appropriate way but does not bump up against the safety and soundness issues that all of us care about as it relates to our financial system.

The fact of the matter is that our financial system is something that hospitals, that employees, that everybody in our country depends upon. It is what, in many ways, has made our country great. We want this to be the financial center of the world. And so consumer protection needs to be dealt with but it needs to be dealt with within a balance, so that consumer protection is not trumping, if you will, the safety and soundness of our country.

It is my belief that we're going to pass a bill this year on financial regulation. It is my hope that we're going to pass a bill that has overwhelming support by Republicans and Democrats. It's been a great pleasure for me to be involved in this issue and health care and other issues the way that I have. I thank you for allowing me, those of you from Tennessee, to do what I do and to give me this six-year lease.

Now, let me just say in closing that, look – our country is incredibly divided right now. We have opinion folks on television at night that I talk with often, that you see often. But in essence, much of that is they're opinion leaders; it's not news. It's personality-driven. And people in many ways are seeing people that they relate to that divide us. Extremes are discussed.

Back home, we have people who've become very partisan. They call in on a daily basis. And the fact is that the biggest issue that we have as a country to deal with. Health care is important, financial reform is important. The biggest issue that we have to deal with as a country, I think you know, is our indebtedness.

And the fact is that even a couple weeks ago, over what I would believe to be total partisanship – and I may be offending some people on my side and people on the other side – we didn't even have the ability to put in place a commission much like BRAC, to make recommendations to the House and Senate for the House and Senate to vote on, on an up-or-down basis to deal with our indebtedness.

That's how divided our country is. I want to say to you that I think it's dangerous. I think it's dangerous for us to be where we are today where we don't have the ability on both sides of the aisle to rise above much of the partisanship and bickering that's taken place to deal with the major issues that our country has to deal with.

Matter of fact, I would tell you that I believe that here in Washington, we have the most selfish generation – and I'm not talking about this year – the most selfish generation of political

leadership that our country may have seen, where people are focused on winning, people are focused on dividing, people are focused on the numbers. And by the way, there are interest groups in this town that hugely contribute to that.

And what I hope you as a body will do is that once you finish this issue of health care which is most important to you – and I understand that and I hope that it works out well for you, I really do; I hope it works out well for our country. But I hope that what you will do once you move beyond the issue that's most important to you is that you will encourage senators and House members and members of the administration to move beyond the partisanship that exists right now; to have the courage to step out and take on those issues that have caused this country to be great.

I really think our inability to curtail spending and deal with the issues that we need to deal with on a long-term basis, like Social Security, like Medicare, like Fannie and Freddie, that is the biggest issue that, to me, can degrade our standard of living. And we do not yet have the ability to deal with that.

I hope you will help us, you will move beyond those parochial issues that affect your industry, you will encourage those who represent the many states that you represent here today; you will encourage them to move beyond that, and let's deal with our nation's most pressing issues. And to me, the most pressing issue is the huge indebtedness that this country is taking on.

I thank you very much. I'm not a rhetorical-type speaker. I try to speak about the policies that are occurring here right now. I'll be glad to take questions or leave. I think the lady mentioned that we may not be taking questions but I want to thank you very much for allowing me to be here. I want to thank you for what you and your industry does across our country and I wish you well over the next couple of months. (Applause.)

MR. KAHN: Why don't we take one question?

SEN. CORKER: Are there any questions? Yes, sir.

Q: Good morning, Senator. I'm from your home state of Tennessee – or, I live there now in Memphis. Back in the Clinton administration, TennCare was a fairly radical attempt at some sort of state-wide health care. What lessons can we learn from that in the current national debate?

SEN. CORKER: You know, TennCare was a privatization of Medicaid. And I think the thing that can be learned from that more than anything else is that when you get an elected body involved in health-care delivery, what will happen over time, without strong leadership by an administration or others, is that people like me that want to be reelected and want to give people things that they want without causing them to pay for it, over time what happens is you basically decimate a public program because you have general assembly members each year coming in, adding benefits. To me, that was a problem with the public option.

You know, the fact is that this debate would have been much different if there were a single person in this country that felt like we had the courage to even cause Medicare to be solvent. I mean, think about it: 37, \$38 trillion dollars in unfunded liabilities in Medicare, which means that you would have to have that much in Treasury bonds sitting in an account, earning Treasury rates of interest to make it solvent. That is a huge number. I mean, we're talking about \$12 trillion in indebtedness today but that number dwarfs even the direct indebtedness that our country has.

And so to me, what I learned about TennCare is that you've got to figure out a way in a health-care delivery system to have adults on public programs that are making decisions about how to keep it solvent because if you allow elected officials to make decisions about health care, I assure you that it will be run into the ground. To me, that was the biggest learning lesson as commissioner of finance for our state during that period of time.

Thank you very, very much. Have a good day and good luck to you. (Applause.)

MR. KAHN: Thank you, Senator. That was great.

(Music.)

MR. KAHN: We should have our next speaker here in a moment. For those of you that have experienced this morning before, you know that it's not stressful for me at all – (laughter) – because all the speakers come right in the next sequence. I sort of have nightmares all year long. Fortunately I only have to do this one morning a year. He's in the building; he'll be here in a moment. (Pause.)

So I hope everybody liked Ben Stein yesterday. (Laughter.) Let me try to dig up one of those jokes. (Laughter.) You know, the funny thing yesterday was that when Ben Stein came into the building, evidently some of you out there – I don't know who you are – must have – he stopped and spoke with you at the elevator. He said it was a crowd of people with the nametags on.

And so he came over there and pulled me aside and he said, I just was stopped by a number of people who've come to the meeting. And he said, I had a very serious speech but I've got to add some jokes. They said that I needed to be funny. (Chuckles). And I said, well – because I had spoken with him a few days ago about what he was going to say – and I said, fine. And he said, well, I've added a lot of jokes. And I said, well, you're sure it's the right amount? He said, well, if it's not I'm going to blame you! (Laughter.)

So I hope everyone – (chuckles) – enjoyed the jokes yesterday. He is really something and it was great having him. (Pause.) So now I'm going to go back and check; just stay in your seats. (Laughter.)

(Music.)

MR. KAHN: Okay, back to the show. It is a distinct pleasure for me to introduce our next speaker, one of the most powerful and distinguished, and I should add approachable, members of the United States Congress. And it's a particular honor for me because I worked for many years in the House of Representatives as a staffer and it's just always exciting to have a leader of one of the parties in the House come and speak at our meeting.

Steny Hoyer is the majority leader of the House of Representatives. He's the second-highest official in the House. His colleagues first elected him majority leader in 2006. As majority leader, he is charged with managing the House and the House floor. He is a leader in shaping the political strategy for House Democrats and delivers the Democratic message both in Washington and across the nation. He is the longest-serving member of the House from Maryland in Maryland history, representing Maryland's 5th congressional district since 1981.

Congressman Hoyer is widely regarded as a champion on human and civil rights. One of his major achievements is guiding the passage of the landmark Americans with Disabilities Act. His skill as a consensus-builder helped the House pass legislation long supported by the federation, the SCHIP, the State Children's Health Insurance Program, many years ago. And over the last many months, he has been a key leader in the development of the all-important health reform legislation.

We are honored and privileged that he's here today. Ladies and gentlemen, please give a warm welcome to the majority leader of the House of Representatives, Congressman Steny Hoyer.

(Music.)

REP. STENY H. HOYER (D-MD): Good morning. You there? (Laughter.) Good morning, I'm glad to be here. I appreciate Chip's generous introduction. I didn't see Harry and Louise as I was coming here a funny thing happened to me on the way to this forum I thought you might enjoy. I was on "The Early Show" this morning at about 7:08 with Harry Smith.

And I came back to my office before coming here and there were two books on my desk, one of which has the speech that I'm going to give to you and one of which has a speech for the Edison Electric IEBW Labor-Management Public Affairs Committee. (Laughter.) And the book that I picked up – (laughter). I knew you'd enjoy this.

You know, 20 years ago, I would have been panicked when this happened. But the book I picked up starts with this phrase: Along with health-care reform, energy legislation has been one of the defining goals in the 111th Congress. (Laughter.) I don't know how much you want to know about energy – (chuckles) – this morning.

But the good news is we live in a world of extraordinary technology. Called the office, five minutes later, I have my speech here. That's either the good news or bad news, depending upon your perspective and what we hear from me at this point in time. But I am very pleased to be here.

And on behalf of all of us in the Congress of the United States on either side of the aisle – I know Bob Corker – I just saw Sen. Corker leave here; I presume he spoke before I did – I want to thank you. I want to thank you for what you do every day. To do what we’re trying to do in Congress, and that’s facilitate the delivery of health care to every American; to make sure that we have a healthy nation, a safe nation, a well nation. We understand that that has been a real challenge. It is particularly a challenge in terms of cost. I want to thank Chip Kahn in particular and all of your officers and representatives here in Washington for the work that they have been doing to try to focus us on how we can get from where we are to where we want to be.

The New York Times ran a graph that I think perhaps some of you saw. We have said that this effort to reform health care to make it more accessible and affordable for all Americans has been an ongoing effort since Teddy Roosevelt observed that we really needed to have a health-care system in America that all Americans could access at a price that they could afford.

The New York Times ran a graph about some of the recent efforts; recent efforts being Nixon and Carter and Clinton, who all offered health-care plans. and the graph that was put together by The Commonwealth Fund, which is a nonpartisan health research organization that some of you may be familiar with, assessed the percent of GDP that we would be now spending had either one of those three plans been adopted. Now, as you know, we are spending approximately 17.5 to 18 percent of GDP on health care in America. That, of course, is at least double every other industrialized nation in the world.

The New York Times graph indicated that if the Clinton plan had been adopted, rather than 17.7, we would be spending 14.2 percent. Now, that obviously is hundreds of billions of dollars. The Carter plan, The Commonwealth Fund asserted, if it had been adopted, we would be spending 11.5 percent, or more than 6 percent less. With the Nixon plan, just a little less – about 10.7 percent – saving close to \$1 trillion of the health-care expenses. Think of that: if we could save \$1 trillion and get the same product. Now, that’s of course, the key: the same product. And saving money is the objective.

In 1999, the average family, according to this same study, spent about 11 percent of its income on health care across the board; not just premiums but other out-of-pocket costs, expenses as well. In 2007, higher than that – about 18 percent. And they projected by 2020, 24 percent. Neither for the nation, for businesses, for individuals, for families, is that a sustainable path.

For more than a year, we’ve been engaged in the struggle to reform America’s dysfunctional health-care system; “dysfunctional” not because of any of you but because of the system within which you work.

We all know the facts by now. I’ve mentioned some of them. We know that about one American is bankrupted by health-care bills every 30 seconds in America. The premiums more than doubled the last decade. The small businesses facing the choice every day between cutting coverage and covering workers are mounting national debt, which is so closely tied to health-care cost because of course of that 2.4 trillion we spend, about half of that is spent by government. Now, it’s spent – all spent – by the taxpayers. They send some of their money to

Washington or to the states and their states apply it to health care but it's their money so 100 percent of it is their money. Those are among the reasons we are not stopping our work.

In the debate of October of '04 (sic), Sen. McCain, the Republican nominee and Sen. Obama, the Democratic nominee, essentially said the same thing. Sen. McCain said he wanted to see a system where every American family could access affordable health care. Sen. Obama said just about the same thing. So what we're talking about is not objectives; we're talking about means.

That's why the Federation of American Hospitals isn't stopping either. The federation and its members have been at the forefront of reform. And again, I want to thank you. I want to thank you for bringing your expertise, your knowledge of the day-to-day operations in the health-care system and the challenges it poses directly to the Congress.

I want you to know that the people that I represent also appreciate your efforts. One is a woman who had a real problem. And I mentioned her on the health-care forum that you may have seen on Thursday.

And by the way, I think that was an extraordinary forum. I can't remember in my service – not just the 30 years I've been in the Congress but the 12 years I was in the state senate – I cannot remember a similar forum where a president of the United States sat down with 20 members of each party, leadership of both the House and the Senate on both sides of the aisle, and talked about a critical issue confronting our country and how best to respond to that challenge.

We all had stories to tell. I told a story about a woman who called me and left a message on my phone machine and she said, I've just been diagnosed with a tumor; I need to have it removed; it's going to cost me somewhere in the neighborhood of \$25,000, when she left the message – it turns out it was more. But she left the message that, my husband makes \$28,000; I have a part-time job and I can't afford it. And I need to come up with half of the initial cost, which I thought then was about 12.5.

It turns out that all the related services – hospital, doctors, related services – would have cost about \$35,000. But as you probably know, through programs that you probably practice as well, they brought that cost down very substantially for her and for her husband down to \$3,000 of the cost.

That was a significant victory but obviously you and I both know somebody's got to pay the difference. There is not a free lunch. You've got to turn on the lights, you've got to pay your bills, you've got to make sure your hospital is clean, you've got to make sure you have nurses, you've got to have support personnel. Somebody's got to pay that bill.

So we amortized that cost over all the rest of us because we don't have everybody in America included in the system. Now, she's going to be able to get out of that situation but there'll be thousands, indeed, millions, of couples who will not.

There's the couple in my district who owns a small business. It was just found that their premiums are increasing 67 percent in one year from 1100 to \$1830. They don't know how much longer they can afford such costs.

Sadly, stories like these aren't unique. They're typical. We heard stories like them from almost every member of Congress gathered at that meeting. Again I think that meeting was a very positive one in this sense: First of all, everybody agreed that there was a problem that needed to be addressed. Secondly, it was done in a civil, thoughtful, informed way.

I hope millions of Americans concluded that, in fact, the yelling and screaming that we've seen too much of, where people just yelled and didn't listen, was something that was not necessarily being practiced in Washington – which is of course what they think – and they saw a thoughtful discussion. They saw different perspectives; they saw philosophical differences in how to solve problems. But they saw, as well, I think members from both sides of the aisles with all sorts of different views stating an opinion which could be respected if not agreed to.

We had a face-to-face in-depth conversation about health policy. We need that. We saw the common ground that Republicans and Democrats share, much of which is already represented in the health insurance reform bills that have been passed by the House and the Senate, as well as the gaps that still remain to be bridged.

But despite the range of ideologies gathered around that table, none of us could deny the facts of the crisis. And I believe President Obama is absolutely right when he says that the issue is far too urgent to start over because those urging us to do so know full well that starting over means doing nothing in the foreseeable future.

We know according to the poll last week that 58 percent of Americans would be disappointed or angry if Congress gave up work on health care. We don't intend to. We can't afford to ignore out-of-control health-care costs any longer. And we can't solve them by simply nibbling at the edges.

That's why we built a centrist health-reform plan out of good ideas from both sides, many of which came from your members and your leadership. And that's why we've exposed it to unprecedented scrutiny at hundreds of hearings and thousands of public events and online availability for review.

Most Americans don't want a government takeover of health care. Government takeover. No one in Washington I think intends a "government takeover" of health care and the two bills do not include a government takeover of health care. But our bill does nothing of the kind to take over health care no matter how many times that phrase is repeated. And when Americans hear what's in the bill in unbiased language, they support its provisions.

How do we contain our out-of-control costs? A critical objective. For families, we demand that the insurance companies stop discrimination on the basis of preexisting conditions. If you poll that, it's well into the high 60s and 70s that Americans believe that ought to be done, that discrimination denies people care and raises their costs every day.

We demand that companies publicly announce rate hikes and justify excessive increases to their customers. The nonpartisan Congressional Budget Office reports that our plan will slow the growth of premiums.

For both families and businesses, we create a new marketplace where private insurance companies – not the government – compete. Let me stress that because it is “private” “sector” “markets” that we create in this bill, not “public” “sector” “payment.” In point of fact, it is much like the Federal Employees Health Benefits Program, which is private sector insurance, but there’s a marketplace where it’s transparent, and consumers can determine what the costs are for what they’re going to get, and see the competition.

We believe that is what – both parties believe – will bring down cost. Competition, transparency, the availability to make comparisons, a marketplace where individuals and small businesses combine their buying power to get lower rates just as the biggest businesses do. This is similar to the Republican idea to allow people to buy insurance across state lines but better for consumers, in our opinion. The exchanges accomplish that objective.

Businesses will also see \$30 billion in tax credits to help afford coverage, which is another Republican idea. Actually, it’s a Republican, Democratic and common-sense idea.

For seniors, we make Medicare stronger and more secure. We improve it by creating incentives for highly-efficient, high-quality, coordinated care. We closed the prescription-drug donut hole so seniors can afford the medicine they need. We create an independent board to rein in long-term costs and keep Medicare solvent.

For our country, we make some changes that experts tell us are critical to reining in health-care costs. One in particular has been supported by prominent Republicans such as Sen. McCain changing the tax treatment for some very high-cost health-care plans. The president has suggested that we not implement that till 2018 so that we can make sure that it works. In addition, we have to start paying doctors for better care; not simply more tests and procedures.

And we must also adopt the best Republican and Democratic ideas to tackle waste, fraud and abuse. As a fiscal – it says here “hawk” – but as somebody who is very concerned about the budget deficits that we’re incurring and believes they’re not sustainable, I’m also happy that the Democratic plan does not add to our deficit. We said that we would pay for our plan, unlike, frankly, the prescription drug plan that was adopted some years ago, which was not paid for and poses now trillions of dollars of liability not yet paid for.

In addition to combating Medicare waste, the bill also supports doctors who coordinate on care, helps hospitals store information electronically and streamlines administrative efforts. That’s our plan to bring quality, affordable health care to all Americans. It’s similar to the plan proposed by former Republican Senate leaders Bob Dole and Howard Baker. It’s backed by economists from across the spectrum and it incorporates no less than 12 major ideas put forth by our Republican colleagues.

We're hopeful that the Republicans will take mind of those facts when it comes to vote on final passage, and of the constituents who are suffering under a broken system every bit as much as Democratic constituents. It's Americans who understand that the health-care system they have – while they may now have some confidence in their present plan, their confidence in the last 15 years has eroded as to whether they will have it tomorrow.

In any case, we're working hard to get it over the finished line. Your continued support is obviously vital. Your advice and counsel is continuing to be sought. Your thoughts as to where we are, where we need to go and what you think we can do are welcome. You see health care from the front lines and you know how much change is needed. It's unacceptable that this country pays nearly twice as much per person for health care than any other industrialized country, as I said at the beginning, without seeing a better result.

Now, all of us understand, you understand, Americans understand the best health care in the world is available and is delivered every day here in America. That does not mean, however, that it's accessible, that it's affordable for all Americans. It does not mean that it does not need to be made a more efficient system where doctors, hospitals, patients and all of us can be better advantaged by this extraordinary system of health care that we have created in America.

It's the difference between the families that I represent knowing that it's covered and knowing that the future is up to change. It's the different between a business in my state growing and laying off one more worker. It's the difference between America restoring its fiscal health and sinking further into debt. That's why we can't start over. That's why we're taking action. That's why with your help we're going to be successful.

Again, I thank you for all you do every day to do what we talk about doing in Washington, and that is making quality health care accessible to all our people. Thank you very much. (Applause.)

Chip, did you want to do questions?

MR. KAHN: One or two questions?

REP. HOYER: Do you want to hear about energy? (Laughter.) That must have been a very comprehensive speech. Thank you very much. Thank you! (Applause.)

MR. KAHN: Thank you, Congressman. That was great. And Elvis is not in the house yet but very close.

As I walked out, one of my staff people said, well, you want some jokes? I said, no, I don't tell jokes.

So we have about four or five minutes till the secretary will be here. And I hope you're enjoying the program this morning. You're really getting sort of both sides of the argument. And I think it was particularly good to have Sen. Corker because he's one of the most thoughtful Republicans. And we'd really like to work things out.

So let's give it a couple of minutes. I'll be right back.

(Music.)

MR. KAHN: Our next speaker is in the house, so it'll be about another two or three minutes and we'll be ready to start. So get yourself ready. I'll be out.

(Music.)

MR. KAHN: Okay. If everyone could take their seats, we're ready to proceed with the program. And I appreciate the patience in the audience and I can assure you it'll be well worth your while because our next speaker is the nation's highest-ranking health officer as secretary of the Department of Health and Human Services. Kathleen Sebelius has been a leader on health-care issues for decades and is one of the most knowledgeable people in this nation on the issue of health insurance.

In her capacity as secretary, she is one of the top advisors to the president on health reform and its primary advocate. President Obama nominated Secretary Sebelius while she was serving her second term as governor of Kansas. While in office, one of her top priorities was to improve access to affordable healthcare. Time Magazine recognized her achievements by naming her one of the five top governors in America.

Prior to serving as governor, Secretary Sebelius served as a member of the Kansas House of Representatives and from 1995 to 2003 as Kansas Insurance Commissioner. As the insurance commissioner, she also served as president of the National Association of Insurance Commissioners. There, she chaired the NAIC's all-important health insurance committee. We met during her tenure as head of the NAIC and I always found her both even-handed and really a pleasure to work with. It is my distinct honor to present to you this morning Kathleen Sebelius, secretary of the Department of Health and Human Services. (Applause, music.)

SECRETARY KATHLEEN SEBELIUS: Good morning, everyone. And I apologize for the delay. Someone very important was coming down the street with a motorcade. I'm not quite sure who was in the motorcade but it ground all the traffic to a halt. So I am pleased to be here. And I want to also thank Chip, not only for his nice introduction, but the incredibly important work that he does each and every day on behalf of hospitals across this country and the patients that all of you serve. He has been someone, as he said earlier, who I've known for well over a decade. We've worked together on a variety of issues and I can tell you he's been a great partner in this effort on health reform.

I want to also just thank the members of the federation for being such committed advocates for fixing the broken health insurance system that we have. You know the health-care system, really, better than anyone and have great credibility when you speak out for reform. And I can tell you that those voices have been heard over and over again during the last 12 months. I know that you will hear from a number of members of Congress during the course of your visit

and I also just want to acknowledge the fact that there has been an incredible amount of hard work done over the past year.

Clearly, comprehensive reform isn't easy. If it was, it would have been finished in the '30s or the '50s or the '90s. But the fact that the House and Senate have both passed comprehensive reform bills this year and are on the way to getting a bill to the president's desk, I think, is an incredible achievement and a tribute to the hard work that has gone on in both the House and the Senate.

I want to also tell you that we are really pleased to have a new member of the CMS team – one that some of you may know – who's coming in as a key deputy at the Centers for Medicare and Medicaid Services. Marilyn Tavenner comes to us from the position of health commissioner of the state of Virginia but has a long history in private and public sector and a long history with hospitals in this country. And we think she will be an enormous asset as the CMS work continues.

Before I really talk a little bit about our specific topic today, I wanted to say a couple of words about my experience working with hospitals, just in this capacity in your public health roles. You know, we've had two major health crises in this hemisphere just in the 10 months I've been in this job: the H1N1 flu virus and most recently, the earthquake in Haiti. The Department of Health and Human Services has been at the center of our government's response in both those situations – the medical portion of the response. And I really have had a chance in that capacity to work closely with hospitals across this country and see how prepared you all are to stretch resources and respond in times of public health crises.

We saw, this fall, when the second wave of H1N1 hit that many emergency rooms saw their caseloads rise by as much as 50, 60, 70 percent. But clearly, the planning that had been done – and I'm familiar with that. As a former governor, we did a lot of those exercises and pushed planning dollars out to hospital systems. But what I saw this fall was the kind of planning efforts paying off – that you figured out creative ways to triage worried patients, to keep patients who may have serious flu symptoms away from others, to stretch bed capacity and make sure that we could take care of the folks who really needed the kind of care that you were able to deliver.

Then again, when the tragedy struck in Haiti, not only did Florida hospitals respond but we had systems, really throughout the country, ready to go, ready to take on critically ill patients, ready to provide the kind of assistance and care. And I saw, again, just how resilient hospitals are in difficult times. And I want to tell you that's such an important part of our preparedness system and clearly something I want to build on in this role as secretary of HHS, to continue our hospital preparedness efforts, to work with you as we evaluate what went right and what went wrong so we can be ready for the next incident that strikes. Whether it's Mother Nature hitting us somewhere here in the United States or a dirty bomb set off in a subway, we need to be constantly vigilant, constantly resilient and your efforts in that partnership are so very important.

But today, what I want to focus on primarily is the day-to-day workings of our health-care system. And I want to start by acknowledging the fact that there's no question that hospital

leaders are health-care leaders. We are in a situation where I've watched closely that you not only are willing to participate in solutions, but often coming up with the innovative strategies that can deliver much better care at must lower cost. So you're not just part of a list of supporters of health reform, but engaged in the process at each step along the way and helping to formulate the strategies as we move forward.

And I don't think there's any group of health-care providers more than hospitals who understand how interconnected all the pieces of the puzzle are. If we want to deal with coverage and cost, we have to deal with gaps in coverage. We have to look at the situation that last year alone, about \$56 billion in uncompensated care was delivered in hospitals to about 46 million uninsured Americans.

You know those numbers well because they show up on your bottom line. Doing nothing, the projections are that those numbers will more than double over the next 10 years. In fact, it's estimated that we'll be spending just under \$150 billion dollars in uncompensated care as those numbers grow. And again, many hospitals not only bear the brunt of those charges but are likely to see their bottom lines disappear altogether. And we may, in fact, lose critical hospital services as a result. That's not only bad for hospitals but clearly bad for patients.

The care provided is more expensive and less effective because you're seeing patients who should have had an earlier intervention. So the system to shift to not only more affordable coverage for all Americans, but prevention and wellness strategies that intervene early so we don't wait until people show up with a heart attack in an emergency room, but actually have that preventive care up front, is part of what health reform is all about.

You're leaders in seeing the connection between quality and cost. Today, no question that health-care costs are rising at an unsustainable rate and without reform, they will continue to rise, taking up about a third of our economy over the next three decades, putting pressure on families and squeezing business budgets and government budgets and clearly, squeezing your budgets. But rather than waiting for cuts that will follow that inevitability – if costs continue to rise, we're going to make some cost-cutting decisions. But my fear is, if it's disconnected with comprehensive reform of the health system we'll get the cuts, but we won't get serious changes in delivery system features along the way.

So I'm so pleased that hospital leaders have really stepped up with strategies about cost reduction but how to reinvest those resources in improving care and rewarding quality – how to make sure that we really coordinating between doctors and hospitals, how we're eliminating some of the issues which cause not only costs to rise but care and quality to fall. And again, hospital leaders have been at the front of that parade and one that, I think, is so important and so much a part of the bills pending before the House and the Senate.

The pieces of the puzzle all fit together. And it's why the president, I think, has said from the beginning that we need comprehensive reform. We need a bill that slows rising costs, makes coverage more affordable and raises the quality of care. We have to do all of those things simultaneously. You know, somebody suggested at the health summit the other day that the Congress doesn't do comprehensive very well. Well, I would suggest we have to. We have

some serious challenges facing this nation and our health-care system's failures are one of them. And comprehensive is the approach that we have to take – a piecemeal approach just won't solve the problems that we have.

Now, as of today, we have made more progress in the last 12 months on health reform than has been made in the last 50 years. Comprehensive legislation has passed the House and the Senate. A lot of the issues are making common-sense reforms – making insurance more affordable for millions of Americans and small businesses, creating a new marketplace, which has been talked about for years and lots of governors, lots of states have tried these strategies. It's very difficult to do within the borders of state lines. So having a new national marketplace to leverage the, kind of, buying power that now large employers have and make that available to entrepreneurs and small business owners and self-employed Americans.

Laying out the rules of the road for insurance companies – I did, as Chip said, spend a good deal of time as not only insurance commissioner of my state but leading the health committee at the NAIC and eventually, serving as an officer and president of that association. And a lot of that time and energy was spent on dealing with health insurers.

And in a situation where we really have the insurance companies picking and choosing who gets coverage in this country and who doesn't and how much and what that coverage will pay for. We need to change those rules so that individuals and small business owners have an opportunity for affordable coverage, but also can access the critical preventive care and wellness care that they need early in the system.

We need to have a situation where our budgets are on a more stable path. And as you know, the bills pending in the House and the Senate, the Congressional Budget Office has estimated, will reduce the deficit by \$100 billion in the first decade and close to a \$1 trillion over the next 10 years. And that's a significant step in the right direction. Security and stability for American families – when California's largest insurer, Anthem, who I have some familiarity with when they were dealing in Kansas, raised rates on 800,000 Californians, it really highlighted a situation that is occurring across the country.

Anthem Wellpoint is not alone. The five largest insurance companies last year filed about \$2.7 billion in profits – 50 percent more profits than they had made in the previous year – and yet rates are being raised across the country on the individual market and the small-group market – those who have the least leverage, the least purchasing power and often, are in a terrifying situation for themselves and their families.

I was reminded on a trip recently when two young dads stopped me in two different cases – one was the airport in Chicago when a guy came up to me and introduced his 11-year-old son, Patrick. They were returning from Patrick's soccer tournament and he went on and told me that Patrick has been born with a heart defect. He had a heart operation when he was a week old and a second operation at three years. Patrick is now 11, totally healthy athlete doing just fine.

This guy, who is self-employed and clearly making enough money to continue to pay this, six months ago was paying \$32,000 a year for health insurance for his wife and his child

and himself and really very unclear about how that would happen in the future. And I have no idea what Rob's payments are right now with this round of increases.

Then I went on to Columbus, Ohio, where I made a speech, and Rich Colby came up to me. Rich is, again, in a small firm, which he owns and he is providing health insurance for himself and his two employees. Rich's wife and daughter had cancer. His daughter has died. His wife survived. He is now close to \$40,000 for himself and his wife and again, is struggling to try and figure out what in the world he's going to do. He can't get into any larger pool. He can't balance his risk with anyone else and is terrified that he is going to be quickly priced out of the market.

Over the next decade, that's going to happen over and over and over again unless we do something. The projection is that one of every two Americans under the age of 65 will go without health insurance for a period of time. And again, that has a huge impact on the care that all of you are trying to deliver. Growing number of health decisions made by insurance companies, not by providers or patients and that's simply unacceptable. So the president is determined to build on the progress we've made so far this year and pass a comprehensive health insurance bill this year.

We believe that putting health-care providers back in control of health decisions is not a partisan idea. In fact, the House bill, the Senate bill, the president's own proposals are very similar to the bipartisan bill drafted by four former Senate leaders – two Republicans, Bob Dole and Howard Baker, two Democrats, Tom Daschle and George Mitchell – who put together a template proposal and looks very similar to the bill that passed the Senate, similar to the reforms passed by and signed into law by the Republican former governor of Massachusetts Mitt Romney. It doesn't just include ideas that Republicans have supported, it includes amendments across the board that were proposed and promulgated by Republicans and are contained in the various strategies they put forward.

So that's why the president wanted to gather together a group of House and Senate members last Thursday and have an opportunity to really talk about what's in the bill and what strategies are there that there's some common ground. Both sides agree on a lot of issues. There is a serious interest – and one that I'm hoping we can work closely with all of you on is cracking down on fraud and abuse – clearly an interest in purchasing power for small businesses in looking at ways and strategies to go across state lines without jeopardizing consumer protections.

There is a serious policy difference. And I would say, at the end of the day, the Republican proposals still leave about 30 million Americans without health insurance protection, without any health coverage. And the president feels that if we are going to tackle comprehensive reform, that's one of the key pieces of the puzzle – that at the end of the day, all Americans would have access to affordable health coverage. The other serious disagreement is how we proceed. As you heard over and over again, there is an interest on the Republican side of starting over again, of doing something in piecemeal fashion and incremental form.

The president feels that the urgency of what's happening to the people of America, the importance of dealing with the economic crisis that we have but also the individual health

security crisis that we have lends itself to moving ahead – that it is not a valuable exercise to throw away a year’s worth of work but, in fact, we need to build on these efforts, particularly when 15,000 Americans each and every day are losing their health insurance. So we’re going to continue to reach out to Republicans, we’re going to continue to incorporate ideas into the proposals. The president will make it clear later this week on his vision about moving ahead and I’m hopeful that we will continue to have the help and support of the leaders in hospitals across this country to move comprehensive legislation forward.

We’ve seen this week just how dangerous the politics of obstruction can be. On Sunday, the timetable ran for this year’s fix of the SGR rate. And so the 21 percent cut in Medicare payments to 600,000 doctors across this country started officially on March 1st. Now, what we have done in our agency – because we can do this administratively – is urge providers, urge our contractors to hold payments for the next 10 days in hopes that Congress will really move ahead and do this.

But thousands of workers now – millions across this country – are not receiving their unemployment benefits. Doctors’ payments are jeopardized to critical Medicare services. We’ve seen construction workers laid off all because the Senate has stalled, once again, on moving forward some critical legislation. So that is a huge priority and an immediate urgency. But I think it’s an example of what happens when we don’t move forward.

Couple of other topics I wanted to touch on today. I know that you have an opportunity to visit with Dr. David Blumenthal, who is our health technology leader. But clearly, part of an underlying piece of reforming the health system is also moving from paper files to electronic technology in our health-care system. A number of you, again, have been out ahead of the pack and leaders in using electronic records in your hospital systems.

I’ve seen some very impressive examples of coordinated-care strategies of sort of vertically integrating delivery models using electronic systems. And we’re hoping that the incentives provided in the recovery act – the financial incentives that will kick in for both hospital systems and for medical practices – will provide enough of an incentive to have a tipping point so we can actually move a health system into a new era.

At the end of the day, I am convinced we will not only save dollars but we will lower error rates of medical decisions, we’ll improve quality of care by coordinating care and have an opportunity to really maximize administrative simplification by eliminating a lot of the forms that providers fill out over and over and over again. Some strategies, which are already in place – a health system using electronic records identified that too many women were not receiving their osteoporosis screening. So they used the electronic system to do an automatic notification and screenings went up within the first two months over 300 percent.

Strategies have been used with diabetes patients who weren’t routinely getting the recommended foot and eye exams. Again, an ability to trigger up a call to get the recommended care raised the level of patients who were accessing the appropriate treatment to two out of every three patients from one in five patients – a dramatic change in care strategies, again, improving quality of care but lower the kind of costs of dealing with those diabetic conditions when they

get out of control. Unfortunately, right now in America somewhere between 10 and 15 percent of hospital systems are using electronic records.

So that's a huge change in the way we need to operate in the future. And we definitely want to work with those of you who are hospital leaders to make sure that as meaningful use is defined, as we move into this new era, that we do it with your input, your ideas, your expertise and move forward at a pace that makes not only important changes in the health system, but brings along the vast majority of the nation's health-care providers.

We also know we can put better data in your hands about the workforce you need to run hospitals throughout this country. It was brought to my attention that we were missing data for nurses and for physical therapists that was being collected at the state level but not available at the national level. So if a nurse or a physical therapist was applying for a hospital job, you didn't have access to the data that gave you information about disciplinary complaints or charges in the past.

So we put together a national system. In the course of putting that together and having that ready and online for the beginning of March, we've been informed that there's still some gaps, that we don't have all the data yet that is available at the state level. So I immediately reached out to my former colleagues. As governors, we are working actively to fill those gaps, but I want to tell you, we want to get the best possible information into your hands so when you make decisions about who it is that you are going to bring onboard to deal with your patients, you have the best possible information.

One of the first challenges that met me when I came in as secretary was the direction from Congress that we ramp up our efforts to deal with health-care associated infections. And unfortunately, a recent study highlighted that necessity all over again, that sepsis and pneumonia currently kill 48,000 Americans each year and that's more than all the murders we have in this country put together.

We know that most of those deaths are preventable and that makes it a tragedy but also an opportunity. We have a chance to, working together, to save tens of thousands of lives and dramatically lower health-care costs. We know what happened in the Michigan system when they implemented the checklist and that model has been replicated over and over again in hospitals throughout the country.

The Michigan experience was, in just 18 months, saving about \$200 million, and more importantly, 1500 lives. We need to accelerate the acceptance of this strategy in hospitals across the country. We've required every state to come up with a strategy to reduce health-care associated infections and had those plans submitted to us. We invested \$80 million in supporting these efforts, both in hospitals and in state systems. But what I know is that without hospital leadership, these changes will never occur.

So again, I'm hoping that this is a situation which we can take very seriously. It doesn't require new technology or new drugs to save lives. We have the tools well within reach. It has some training and leadership and reinforcement, but it's certainly a situation that can pay off

very quickly and I think will result in far better care and far lower costs. So moving ahead with reform, there are incredible opportunities for collaboration, not only what's planned in the future but what's occurring right now with health technology and hospital-associated infections.

We have tremendous opportunities here in this country to develop a different strategy, a different system, different patient care opportunities. And again, working with you, I think there is no question we can achieve these goals. We know the costs of delay of health reform. We know what's happening each and every day.

And the system is basically crumbling as we talk about it. Each and every day, fewer people carry coverage, have an ability to pay their bills. More and more of those folks are going to come through your doors in sicker conditions with more chronic illnesses that haven't been dealt with and coped with, with less ability to pay, again, causing even further strain on an already fragile system.

So comprehensive reform has to deal with coverage, has to deal with lower costs, has to deal with higher quality. And those elements are closely tied together. I appreciate the incredible work you've done so far this year. I appreciate the input and expertise from the association that not only Chip carries, but I've had a chance to meet with a number of your leaders.

I look forward to not only helping to pass the reform legislation, but more importantly, working with you on the next decade of implementation. What happens after a piece of legislation is signed is, in fact, I think, far more important and transformative than the work leading up to it. That's when the real work begins. That's when we need to roll up our sleeves.

But I want to tell you, I not only appreciate what has been a collaborative dialogue and partnership so far, but really appreciate that moving into the future because we have a lot of work to do, but I'm confident that working together, we can have a higher quality, lower cost system that benefits the 300 million Americans that all of you serve. Thanks very much and have a great conference. (Applause, music.)

MR. KAHN: Thank you, Madame Secretary. It was such a pleasure to have you this morning.

And now, it's my pleasure to introduce our next speaker, Sen. Ben Nelson from Nebraska. I have known the senator for many years and he is a long-time friend of the federation. But most importantly, he is one of the Senate's leaders on health-care policy.

Sen. Nelson stands out for his knowledge of health-care policy. From his two terms as Nebraska's governor to his expertise gained in insurance as president of the Central National Insurance Group of Omaha and as Nebraska's state insurance director, Sen. Nelson knows what he's talking about when it comes to health insurance and health care.

Sen. Nelson has represented Nebraska in the Senate since 2001. He is highly regarded as a bipartisan consensus builder who forges alliances and crafts compromises on a wide range of

issues, health care, tax policy, national security. He is a true champion for rural health and for health care for our nation's veterans and senior citizens. Please give a warm round of applause for Sen. Ben Nelson. (Applause, music.)

SEN. BEN NELSON (D-NE): Thank you very much, Chip, and thank you everybody for that warm welcome. This morning, as I was putting my watch here, I was reminded of the story of the little boy seated with his father at church one Sunday. And he noted that the pastor put his watch on the pulpit. Leaned over to his father and said, dad, what does it mean when the pastor puts his watch there on the pulpit?

Father thought a second, leaned back over and said, nothing. (Laughter.) And the little boy started fidgeting a bit more and he saw a name – plaque with names on it on the wall and he said, what are those names? And the father said, well, son, those are the names of those who died in the service. The little boy said, the 10:00 service or the 11:00 service? (Laughter.)

Well, it's a real pleasure to be here with you today. I know that there is one issue that has taken as much time and as much talent and as much consideration as many. I was going to say jobs and employment, but I guess maybe what we're interested in today is what has been going on and perhaps even more importantly, what will go on in this further health-care debate that's before us at the present time.

But first, I'd like to offer a word of praise to the federation staff, especially Chip Kahn and Jeff Cohen, senior vice president. They have a close relationship with our office and we value their intelligent and factual advocacy on behalf of the hospitals and I want them to know how much I appreciate their willingness to spend time and let us know your perspective as it relates to this and other important issues as well.

Now, I imagine at the time you planned and set the date for this conference, you were convinced that Congress would have finished health care. They say that God works in mysterious ways. Well, at least God works, you know? And we're having a challenge with getting things accomplished back here as you are all aware.

And last week, as the president and Congress took, what I hope, was an important step to moving health-care reform with all the – with the all-day bipartisan summit, I do hope as well that whatever Congress takes on in terms of that health-care result, that the summit will be the beginning of the bridge to bridge the partisan divide that clearly exists here in Washington today.

When you go back home as I do every weekend and I'm at the grocery store in the line or at Home Depot or someplace like that, people come up and talk to me and ask me the questions about why can't you work together in Washington, D.C.? Why is there this obstructionism and why are people more interested in scoring political points than they are – at most times – than they are in getting things done?

I have to say that it's not an easy answer to give to people, to try to explain that Washington is awash with partisan politics. It's awash as well with very difficult issues. If these issues weren't as difficult as they are, they would've been resolved a long time ago. And so as

we try to work our way through, I hope that most of us will focus on the folks back home rather than the inner workings within the Beltway and move away from inside baseball here to addressing issues and addressing them in a way that's important to people back home.

There are those who said, well, let's start all over. Well, that's a very appealing idea. But for some, that's code for doing nothing, for stopping where we are and doing nothing, let it die and let somebody else deal with it. Doing nothing on health-care reform might seem like a reasonable option to some, but in my opinion, it's not. Our nation's health-care crisis will only get worse the longer we delay. Some in Washington say we should do that, start all over with a clean piece of paper and now write a bipartisan health reform bill. But many who want that never started health-care reform in the last decade. So saying stop and start over to them just means stop.

The consequences of doing nothing – let's just go through a few of those, particularly from the perspective of those of you in your business. Hospitals will see your costs continue to rise and federal dollars continue to shrink while the ranks of the uninsured rise due to unemployment and the recession. And that's going to put an even tighter squeeze on hospital budgets. No stability for hospitals, which I know from being in business myself, that investors can deal with virtually anything except uncertainty.

No hope for the 50 million Americans and some 220,000 Nebraskans without insurance who today face serious illness and can be bankrupted by medical bills. As a matter of interest, in the rural areas of the country, medical bankruptcies, as a percentage, higher than they are in other parts of the country. So inaction there is not an acceptable solution. Inaction won't end the cost shift when the uninsured use hospital emergency rooms for costly medical care that gets passed on to everyone else.

You know more about that than perhaps anybody else and that adds 15 percent to the premiums for those who are, in fact, insured. No improvement for the rest of Nebraskans and about 200 million Americans who have insurance, but see their costs continue to rise. Just last week, I visited many who've seen their insurance premium rise in the state going from 15 to 20 percent this year, and in one instance, a woman showed me the premium bill with a 30 percent rise just last week.

I received a letter from a publisher of a newspaper in a small town – a daily newspaper – who saw his insurance premiums rise 35 percent for the few employees that he has in his very small shop. Today, health-care spending is 18 percent of GDP, rising at historical rates. Health-care spending will be 34 percent of GDP in three decades and that'll eat up an ever larger amount of household income and perhaps it's pretty clear that it will do so without improving care. Fewer small businesses will be able to pay for their employees' insurance. In Nebraska, two-thirds of small businesses right now are able to offer benefits. But the consequences of continuing the increases as I've just mentioned will result in their being less able, over some period of time, to continue to provide those employee benefits for their employees.

Now, those are just some of the consequences. The status quo means we continue to fall behind. Now, I have to say that, that's not an excuse for just doing anything. I think the

American people are in many different minds about this but in some instances, the American people have said, we don't like what's there currently on the table. We don't like what the House has done. We're not sure what the Senate's done and in many instances, they're saying we're not sure what is being done because of the size of legislation.

That's all a difficult challenge for us to work in that environment, but that doesn't mean that we ought to stop working in that kind of an environment. We're also hearing a lot of debate about moving health reform using the procedure known as reconciliation. For me, it's less about the process. It's about the substance of the underlying bill that I'm most interested in. I'm interested about what will be in that bill. Reconciliation is really about whether a bill deserves an up or down vote. It's sometimes necessary when one side is obstructing process. The two major tax cuts, 2001 and '03, were passed with reconciliation when my party was obstructing action.

I voted for them because I thought – I believed they were good for Nebraskans and good for our country, and I did so in spite of the objections to the reconciliation process that were made at that time, much as they're being made today – perhaps made by different individuals than those making the objections today because it seems to be the argument about whether you do something this way or that way depends more on who's in power than it does on whether the process is right or wrong or will work.

I don't expect that I'll support everything that the president has proposed in his latest plan, nor would I expect that others would still oppose everything that's offered. So I promise not to support everything if they promise not to oppose everything, seems to me, to be a good promise for both of us to make.

Now, there are some ideas for health-care reform to which I remain resolutely opposed. One of those is the public option, or the national exchange, which would undermine the coverage that 200 million Americans currently have today in the private market. This is not included on either the Senate bill or the president's proposal and it should not be in any legislation that is passed by Congress.

I'm a strong advocate of market-based approaches for health-care delivery and finance and state-based regulations when such regulations are needed. The Senate bill, in my opinion, does an excellent job of providing cost reduction through competition in state-based exchanges without additional federal government involvement.

I've spent a great deal of time working with some of my colleagues to try to scrub as much of the federal government out of the Senate bill as I possibly could. I hope that this approach, as a state-based approach for exchanges, will be fully adopted if there is a final health reform bill. There is no need for a national exchange. Yes, there's a need for multi-state exchanges and allowing states to be able to join together in compacts and to join together for such exchanges is important and can be accomplished without the intrusion of the federal government.

Now, once we get beyond health reform – and you can tell I am an optimist if I believe we’re going to get beyond health-care reform – and once we finish, Congress should, with bipartisanship, begin to deal in earnest with issues like job creation, trade expansion, education and getting our economy going again and moving our country forward and healing the divisions, the partisan divide that exists today.

Nebraskans and all Americans don’t like political gamesmanship that’s mainly just about who wins and who loses. People are tired of politicians scoring political points. People are unhappy with Washington’s dysfunctional state, and I am too. On upcoming issues, federal spending will be the overriding factor.

And I agree with the president that America cannot continue to spend beyond its means and continually increase the deficit without regard to the future. And that’s why I supported the creation of a federal deficit reduction commission through legislation and why President Obama established that commission by executive order when others objected.

Now, addressing deficit reduction will, of course, include addressing Medicare and Medicaid, but I’m confident that the bipartisanship, if we can develop it, will develop meaningful deficit-reduction measures. As the president has said before in terms that everyone can understand, we need a scalpel, not an axe. And parenthetically, let me say that during the initial stages of this debate about health-care reform, it was the insurance industry that became the source of many beatings. And those beatings continue today.

But if you’ve been watching some of the cable news today, it looks like it’s about the time that the hospitals are going to relieve the insurance industry from some of the criticism, because you’re seeing reports today that are attacking the hospital industry in terms of billings and other challenges that exist there in terms of competition and the rates being charged for various medical procedures.

I think what you need to do is brace yourselves for an onslaught of criticism because it looks like, in this world here in Washington, in terms of the barrel, it may be your turn. You all are aware of what is there and you all, perhaps more than anybody else, are in a position to be able to deal with it. Let me assure you, being able to deal with it on your own is a lot better than having government help you deal with it, trust me.

I’ve spent enough time in Washington and around government to know that if you can take care of your challenges that are there before you, it is better for you to do it than to wait or to have the government decide it’s their turn to take care of your problems. So I want to say thank you, again, for inviting me here. And I appreciate the work that you do – the work you do to provide health care in America.

And I hope that in the weeks ahead, that we’ll be able to find a partisan track and continue down that track, and I hope, as well, that as we all look for ways to find solutions, we spend more time working together than we find those to beat into submission. May god bless you, may god continue to bless our men and women in uniform, and god bless America. Thank you all. (Applause, music.)

MR. KAHN: Our next speaker's in the house, so it will just be a moment. (Pause.)

(Music.)

MR. KAHN: Well, our final speaker this morning is someone who has been in the news a little lately: Sen. Evan Bayh from Indiana. With 22 Federation member hospitals in the state of Indiana, Sen. Bayh is no stranger to the Federation. He is known both in Washington and back home in Indiana as a pragmatic legislator and a consensus-builder.

Sen. Bayh won his first term in 1998 with 64 percent of the vote – the largest-ever Democratic victory margin for a U.S. senator from Indiana. He was re-elected in 2004 with 62 percent of the vote. But sadly for us and for all the hospitals in Indiana, this will be his last term in the Senate. This is truly a unique opportunity to have the Senator speak to us this morning, and I know you are equally interested in hearing some of his observations on Washington, as well as health-care policy. Please join me in welcoming Sen. Evan Bayh.

(Music, applause.)

SEN. EVAN BAYH (D-IN): Well, thank you very much for your welcome. Chip, thank you for that very, very generous introduction. He was too kind. I'm always surprised when I'm introduced pretty much the way I wrote it. So I'm grateful to Chip for sticking to the script here today. And welcome to Washington. I particularly want to say hello to the Hoosiers in the audience today. I'm grateful to those of you who make investments in our state and employ people in our state and provide the kind of health care that Hoosiers need. So I want to say thank you from the bottom of my heart for that.

For those of you who look at Washington and kind of wonder what's going on out here sometimes, I want you to know that some of us who actually serve here feel the same way. (Laughter.) I am reminded of something that happened – as Chip mentioned, I'd been governor of my state for eight years, two years in the private sector, and then was elected to come to the Senate in 1998.

When I began my campaign for the Senate, one of the first stops I'll always remember, I was shaking hands and this nice, elderly woman held onto my hand and looked up at me with a twinkle in her eye and she said, congratulations, Evan, you're about to realize every young boy's dream. And I said, really, ma'am? What's that? And without missing a beat, she looked at me and she said, you're running off to join the circus. (Laughter.) There are days I think she was absolutely right.

So in any event, I understand that I am the fifth speaker of the morning? Is that true? I thought there was a provision in the Constitution that banned cruel and unusual punishment, but apparently not. So I'm going to, if it's okay with you, do something rather un-senatorial today. They've allotted me 20 minutes. I'm not going to speak for 20 minutes.

I'd rather speak for maybe five to seven or eight minutes and then just throw open the floor for questions, if that's okay. Because I'd a lot rather have a dialogue and discuss what's on your minds this morning. If you want to ask about the specifics of health-care legislation, I'll do the best of my ability to tell you where I think that's going to go. If you'd like to ask about my decision to not seek re-election, I'd be happy to answer that, or just about anything else.

Because there's a lot going on. I'm privileged to serve on a variety of committees that deal with national security, the banking crisis, our energy challenge – a whole variety of things. I'm in the intelligence committee, which I've always hoped is not an oxymoron. But wherever you'd like to go, I'd be happy to answer your questions for as long as we have, but not just kind of talk and talk and talk on my own.

I was privileged to grow up at a time when my father was in the United States Senate. And they had some big challenges back in the day. There was – the Vietnam War was raging back in the 1960s. We had some deep divisions within our society domestically. We had, later in the early '70s, a phenomenon called stagflation, which was sort of the worst of both worlds – slow economic growth combined with high rates of inflation.

There were some major challenges confronting our country. But what I want to spend my seven or eight minutes here just laying out for you this morning is my heartfelt belief – and I love reading history. That's what I do at night. My wife enjoys reading fiction; I enjoy reading biographies and history.

I cannot recall, with the exception of perhaps the Revolutionary period and the Civil War – the Great Depression followed by the Second World War – I cannot recall a period of greater challenge for our country than the period that we're in right now. We are at a tipping point for the United States, and the decisions that we make with regard to four or five major issues that we are confronting simultaneously will define the future of our nation not only for ourselves, but the kind of future that our children will inherit.

And it's up to our generation to determine whether we will keep faith with those who have gone before us and do right by those who will follow us, because every generation of Americans has been willing to make the tough decisions and occasionally make the modest sacrifices necessary to ensure that those who followed in their footsteps, including us, a United States that was more prosperous, more secure, more decent and more just.

Now is our time to make those decisions so that we will keep the faith, as Americans, with those who will inherit this great nation from us. Let me just tick off what they are. In the area of the economy – and that's, you know, what drives everything else – the ability to pay our health-care bills, to have vibrant economies where your hospitals and businesses are located. That's a lot more difficult than it used to be. We're no longer enjoying the fruits of the post-World War II period, when we dominated the globe, almost effortlessly, economically.

Now, every nation, including our own, is going to be involved in an intensive search for, what is our comparative advantage? What can we do quicker, more productively, more cost-effectively than anyone else? The high-pay, low-skilled jobs of the '50s and '60s – those days

are over with. If it's low-skilled today, it's either done by someone making minimum wage overseas or it's done by a machine. And increasingly, today, you get paid for what you know.

If you asked for my best bet about where America's comparative advantage is going to lie over the next 20 to 30 years, it's going to be in the highly innovative parts of the economy that are constantly reinventing themselves – new goods, new services, new cures, new information processes. But if that's true, that means that we have to invest in increasing rates of research and development and improving the quality of education, particularly for the third of American students who just aren't getting the skills that they need to be economically relevant today.

If you look at the growing gap between the haves and have-nots in America, it is increasingly a skills and an education gap. And we've got to focus on that like a laser. And particularly for some of our hard-pressed inner-city schools, we're just not getting the job done. In R&D, we still invest more as a society in research and development than any country on Earth, even China. But if you look at the rates of growth in R&D spending, the Chinese will very soon surpass us and leave us in their wake if we don't step up our investment in innovation moving forward.

So getting our economic act together is going to drive everything else. And we're just kind of stuck right now, where we haven't really defined what needs to be done and are making the major investments and steps forward, including rethinking public education in a way that's going to prepare us for the economy of tomorrow, not just the economy of yesterday. We have, as I'm sure you are aware, and as independent voters are increasingly focused on in our country, a major fiscal challenge.

The debt is growing substantially. We are rapidly approaching what, if the chairman of the Federal Reserve were here today, he would tell you is the tipping point, in terms of our debt-to-GDP ratio. It would approach 90 percent or 100 percent over the next 10 years if nothing is done. That would suggest that we will have rates of growth in our country 1 to 2 percent lower than otherwise would be the case. You compound that out over time: That is a major hit to the American economy and our children's standard of living because all that money eventually has to be repaid with interest.

Some other societies have heavy debts as well – the Japanese are an example. But they fund their debt internally. They basically borrow from themselves, pay the interest back to themselves. The majority of our debt is borrowed from abroad. So this is a wealth transfer from American taxpayers of future generations to other nations. That has grave implications for the economic well-being and the standard of living for our country, and has to be addressed. The current deficit is running at something like 12 or 13 percent of GDP.

That is exacerbated by one-time factors, the downturn in the global economy being among them. But when you project out, even when the economy fully recovers and gets back on a sustainable growth path, the debts will still be in the 5 percent to 6 percent range. And that is deeply troubling, because any economist will tell you that if your debt is growing faster than your economy is growing, by definition, your debt is becoming a bigger part of your economy.

The burden gets heavier and heavier with the passage of time. And eventually, you can't sustain it and you become like Greece or Argentina or one of these other countries that is experiencing not only severe economic distress, but real social unrest as a result of the very difficult decisions that have to be made. That is not a place we want to go.

But to get our deficit down to, let's say, 2.5 to 3 percent, which is the long-term growth path of the American economy, is going to require some very difficult decisions on the spending side, perhaps eventually on the revenue side. And the political system right now – and entitlement reform is a part of that, which implicates, of course, Medicare, Medicaid, which is a major issue for all of you in the room here today.

The political process right now is just stuck, for reasons we can get to in the questions and the answers, and seems to be incapable of dealing with a clear and present danger to the long-term fiscal well-being of our country. This is exacerbated by the third thing I would mention, which is the demographic changes in our country. Our population will be aging, less dramatically than Japan or Western Europe – largely because of immigration – but aging nonetheless.

And for Social Security, Medicare, Medicaid – those are really the drivers of the fiscal challenge that we face, and unless we come to grips with them, all the spending restraint on discretionary spending in the world isn't going to get the job done. Obviously, we don't want to raise taxes if at all possible and want to do it in the most intelligent way, if we have to, because that will be a drag on the economy. Both of those things will have to be done in greater degree if we don't get entitlement reform done because of the aging of the population.

So that is another looming challenge out there. Fourth out of the five I'd mention – actually, out of the six; I'm going to end up on number six – is something that – any of you last year see the ads that T. Boone Pickens was running on TV? Any of you see those? They were running here in Washington and they were running in Indiana.

I can't tell you how disillusioned I was to learn that Boone actually had a vested financial interest in how we addressed energy. It was just very – I mean, you know, I was just shocked. (Laughter.) A little bit like the guy in Casablanca, who was shocked to find out there gambling going on in Rick's café at the same time he was accepting the payoff from his own wager.

In any event, putting that aside – just so you know, Boone has major investments in natural gas and, not surprisingly, was interested in how we would use natural gas to solve the energy crisis facing the country. He did have – he was on target, though, in the major point that he was making. Think about this. Every year, we send \$300 billion or so of America's wealth overseas for imports of energy – largely oil, some liquefied natural gas, but mostly oil.

This is the largest transfer of wealth in the history of the world – never happened on a sustained basis that one country was taking this amount of money, year after year after year, and sending it to places like Venezuela and the Persian Gulf, Nigeria and elsewhere to sustain our domestic economy. You can't go on like this forever.

So that's driving our trade imbalance, which has implications for the value of our currency and interest rates and rates of growth. My point is that along with having an economic strategy, getting our fiscal house in order, dealing with entitlement reform because of the demographic changes that we're facing, dealing with the energy challenge is critically important – regardless of what your position is on global warming and all that – forget that – take that off to the side. That's an important issue, legitimate debate.

Regardless of what you think about that, becoming energy independent, or at least self-sustaining, is vitally important to the future of our country. Because we can't afford to ship this amount of wealth, year after year, abroad. Eventually, it's going to come back in terms of lower economic growth and a lower standard of living for us, for our children and for our grandchildren.

So we can talk about that if you're interested. There are a number of things we can do domestically to begin to turn this around, largely in the transportation sector because that's where most of the petroleum is used. But we've got to bring a sense of urgency to this because the problem is getting worse, not better, and it's not going to go away unless we have concerted action.

The final thing that I would mention in addition to all these challenges, we face national security challenges. Our national defense posture is still oriented more toward the Cold War. Bob Gates, who is a brilliant man, is beginning to reorient that toward the age of global terror and a fragmented challenge. Our greatest threat these days is really not from an attack from another nation-state; it's from rogue, third-party actors like al-Qaida, like some others. And we need to reorient the hundreds of billions of dollars we're spending every year to meet that threat, rather than the threats of the past. That's a major challenge, too.

But the final thing that I'd like to leave you with is that we're not going to meet any of these challenges – economic, fiscal, demographic, energy, national security, or all of the others we could think of here today – we're not going to meet any of them if we don't reform and revitalize our political process, and particularly the institution of which I am currently a member, the United States Congress. Because we are just stuck.

There is a constant struggle for short-term political power at the expense of the long-term interests of this country. Our politics have become too tribal. I grew up in a family of proud Democrats. It's a part of my DNA. But I'm pleased to say that I have friends in the Republican Party and we try, more often than not, to put aside partisanship to focus on the long-term well-being of our country. But too often, the politics here has just become tribal. You've got a party over here, a party over there and we try and beat the daylights out of each other.

And the ins become the outs and they then try and become the ins, and nothing gets done. The kind of progress that we see is frustrated by brain-dead ideology. I know some of the most fervent members of my own party, if you try and reach a principled compromise, say that you have sold out, you are morally deficient, that kind of thing, some progress is better than none.

We shouldn't be surprised that, if we have a take it or leave it attitude as a country, an all-or-nothing approach, very often, we end up with nothing.

So my final appeal, and I think probably the most difficult challenge we face – most of these other things involve economics or actuarial tables or energy policy or that kind of thing – difficult but not, intellectually, that challenging. But getting to reorient the citizens of our country to think as Americans first, rather than as liberals or conservatives, as Democrats or Republicans, is something we're going to need to do because the rest of the world is moving forward.

Our challenges are no longer internal; they are external. We've got to think not as red states and blue states, but look at our country once again as 50 red, white and blue states with common challenges and a common destiny. So I would just like to leave you with this thought. As I look at all these things, it would be easy to become pessimistic about America's future. But I am not. I'm still an optimist. Why, you might ask.

Well, you look at our nation's history. Whether it's the Great Depression or the First and Second World War or the triumph over global communism during the Cold War. And you look at these challenges and, from an intellectual standpoint, you think well, I just don't know how we're going to resolve them. But deep down, I still believe in the innate goodness of the American people. I believe in our system of free market enterprise and democracy is the best way to resolve our challenges, even though we've got issues in Congress.

And I just know that if those of you in the room and millions of like you across this country stand up and say, enough of the partisanship, enough of the ideology. We need to get our act together and put in place practical solutions to the challenges that face our country, we can still give to our children a nation that is more decent, more prosperous, more secure and more just.

That is the challenge that lies before us. It's up to each and every one of us in this room here today – those who serve in Washington and those of you who send us here. And with your help and god willing, I still believe we can have an even greater country. And I want to thank you for having me today. (Applause.)

Now I really would like to throw it open to questions, but if there are friends of mine from the press corps here, I'll deal with you later. I'd like to hear from the audience. I used to joke in private meetings that I've learned from hard experience to ask if there are any press people here. But today, I suspect I know the answer to that. So who'd like to ask the first question? Yes, sir. First, tell me where you're from.

Q: Nashville, Tennessee.

SEN. BAYH: Oh, very good. Tell Ned Ray McWherter I said hello. He's a former governor. I was elected governor when I was only 32 and Ned was a little more senior. He used to always say, "I like that Bayh boy." (Laughter.)

Q: Well, sir. I have the overall responsibility for supply purchases within our health system, and one of the greatest proportions of our supply spend is represented by physician-preference items.

SEN. BAYH: By physician-preference items?

Q: Yes, sir. Medical devices. And the one thing I – you know, we hear a lot about reducing cost of health care, but the one thing I'm not hearing anything about is what this bill will help in reducing cost as its related to medical devices, and addressing those issues, especially in light of reimbursement going down, costs going up.

SEN. BAYH: I am – hold on, don't run away, because I want to let you answer a follow-up. I've always been a big believer, if the answer is, I don't know, it's better for me to say that up front than for you to figure that out in the course of my answer. (Laughter, applause.) Always admit the obvious, right. So I don't know of a specific provision that deals with what you referred to as physician-preference items, to be quite honest.

However, I am a little more familiar – we have – I've got – look, I've got two interests in this. The medical device industry employs, directly or indirectly, more than 60,000 people in my state. They're pretty good-paying jobs. It's an area of the economy in which we're globally competitive. We actually export product, and that kind of thing. So I have a keen interest in making sure that we don't, you know, devastate those jobs and so forth.

I also have an interest in making sure that, for the patients you serve, you can buy your supplies at reasonably competitive prices. So there's some inherent tension there that we've got to try and reconcile. I don't know of a specific provision that deals with the cost of the medical devices that you're buying. I am aware of a \$40 billion tax that was proposed on the medical device industry that would have, according to the laws of economics, largely been passed on to you, the consumers of those products, and ultimately to the patients and the taxpayers, or the insurance policyholders who pay for these kind of things.

And I was greatly alarmed by that, and along with Sen. Klobuchar from Minnesota and a couple of other individuals, expressed – I just flat-out told them, I said, look, if you've got that in there, I'm not going to vote for this thing. So they cut it in half, which was still going to be somewhat onerous and would have had an effect on the price of the products, but not nearly to the extent – that would have been in the original bill. So that is one specific provision that deals directly with medical devices I am aware of. Let me ask your opinion, though. I always use this as an opportunity to learn a little bit. Is there anything, specifically, you would recommend?

Q: I think, you know, one of the biggest issues we deal with, with our physicians is, you know, typically – and it's not – the medical device manufacturers do not view the provider – they do not look at them as the customer. The physician is the customer. And so it's a unique situation where we have no control over what's being used, but we pay the bill.

SEN. BAYH: So you're the hospital, but it's the physician who decides which device is used or if a device is used, and you'd like a little more say in the process because you think you'd drive a little more efficient bargain? Is that the deal?

Q: Yeah, we're not trying to – you know, our approach is not to drive standardization. We want to allow our physicians to have a choice. But you know, prices – you know the cost on these products continue to increase year over year and it's a big segment of our overall supply spend and it also represents some of the major product lines within our facilities, as well. And so it's a continuing battle to keep these product lines where they're on health margins where we can continue to provide these services, but still have a margin in there that allows us to be competitive.

SEN. BAYH: Are they using devices in cases where you don't think that's the best practice, or is that part of the problem?

Q: No, I mean –

SEN. BAYH: The reason I ask is, there is this proposal out there – it was sort of the original rumor about death panels and things like that, which I was – my reaction to that was, well, I used to always want to be on the finance committee, but if they really are creating a death panel, that's what I want to be on. That's power, right. (Laughter.) But that's not a part of the deal, as we all now know.

But there was a Medicare entity – it's been referred to as Medicare reform on steroids – that was basically going to try and identify what the best practices were – now, there's some tension there because you don't want an uber-federal agency telling every doctor, or every hospital, how to do your business. But to the extent they can, based upon sound, scientific research about which there's a broad consensus identifying the most efficient ways to go about treating some of these conditions and illnesses, that seems like a sensible thing to do. So there may be something in that realm that would help address the problem you're talking about here.

Q: Right, and when you look at these same products that are distributed worldwide, you know the prices overseas for many of these same devices are dramatically lower in cost than what we're paying for here in the United States.

SEN. BAYH: Well, that's true in the pharma area, too. But there are two sides to that coin. One of the reasons they're cheaper is that you do have a government entity setting prices, which some people have some concerns about the role of innovation then, and that sort of thing. The American consumer is – basically, the rest of the world is piggybacking on the American consumer, when it comes to the prices that are being paid for R&D and that kind of thing.

And I've always felt it was better to have – and you have to deal with this in the trade laws and that sort of thing, make sure that the First-World nations, whether it's Canada, Western Europe or Japan don't basically free-ride on the American consumer anymore, find a way to have them step up and pay their full fare of the freight, as opposed to having our government just basically get in the business of setting prices.

I know some of that takes place in Medicare, Medicaid anyway. But you start down that road, no telling where you'll end up. So I appreciate your question. I'll tell you what, why I don't give you – I'll issue you an invitation – if you want to come up here afterwards while I'm walking out, I can give you my contact information if you'd like to follow up in greater detail. I'd be interested to see what you have to say.

Q: Thanks.

SEN. BAYH: Thank you. Yes, sir? Where are you from?

Q: Good morning. I'm Jon Perlin. I'm from Nashville-based HCA, another Tennessean.

SEN. BAYH: What is it with Tennessee? (Laughter.)

Q: Great state.

SEN. BAYH: Several of the people I walked in with were from Nashville, also.

Q: First, thank you, Senator, to the service to the country and to the state of Nebraska – um, Indiana, excuse me. (Laughter.) Sorry.

SEN. BAYH: I did not get a special deal on this bill. I want to make that perfectly clear right there. (Applause.)

Q: Which we appreciate. Thank you for your service to the great state of Indiana.

SEN. BAYH: Ben and I were actually governors together and we've known each other for a long time. And I want to get to your question, but I was talking to your home state senator. And if I could do a little bragging, Lamar Alexander is a fine man. Bob Corker is, too. Interestingly enough, I'm friend with both of them, we work together on things – Lamar, as you know, former governor, Bob Corker, former businessman, former mayor.

You can really tell a difference in the Senate people who have been executives of some kind, who've been responsible for implementing things, not just voting for them in theory. You just tend to have a little bit different approach. And so your two senators really have that kind of practical approach, and we can work together even if we're members of different parties because, at the end of the day, they just want to know how the things' going to work. So Ben was a governor and tends to have a little more practical approach about these things, too. Your question was –

Q: Well, two parts. You've obviously drawn a relationship between the need for health reform and the financial future of the United States. And so I'm interested, first, in what you see as the play-out of health reform in the months, or really, weeks ahead. The second is that you've challenged the country to, really, higher ideals. And with the freedom that goes with your recent

decision – and we certainly will miss your service – what is your perspective on how you'd like to see things play out, given, really, the freedom of the ability to make that statement?

SEN. BAYH: Well, those are two good questions. Your first was, how do I think things will play out over the next few weeks and months?

Q: Yes.

SEN. BAYH: So what's likely to happen on the health bill. I don't have a total crystal ball on that. If I just had – I'll just give you my candid opinion. I think it's about 51 percent that something will get passed and 49 percent that it won't. My experience around here is that, when the powers that be just have to get the votes and are willing to move heaven and earth to get the votes, they usually do. Sometimes it's in ways, as we've seen, that aren't always as pretty as you might want, when the light of day comes to bear, but they have a way of getting the votes. So it's say it's a little more likely than likely.

The two things to look at are, number one, the House of Representatives is going to be, actually, closer than the Senate. Because it only passes the first time by a margin if five votes. One of the five who voted for it died and has not been replaced. One retired and I don't think has been replaced. And one Republican legislator from Louisiana voted for it before, but now says he's going to vote against it. So my guess is for the moderate Democrats who voted no before, they're probably feeling pretty good about those no votes. And it's hard for me to see how too many of them are going to change to yes.

You might have some very liberal members who, believe it or not, thought the bill wasn't liberal enough, who voted no, who now might be persuaded to vote yes. How many of them are out there, I couldn't say. There are also three more moderate-to-conservative Democrats who are retiring, one of whom has said he's not going to change his no vote, but the other two are undecided.

So my guess is, that's going to come down to one vote, one way or the other. So look at those people who are retiring. Look at how many very liberal members, you know, who voted no before – they are more likely to come over. And then look at endangered moderate Democrats who are thinking oh my gosh, I voted yes before, but now that looks like a death sentence; what am I going to do? And so I think the House is really going to be where the action is.

In the Senate, the thing to look at – I think they will use the process called reconciliation. I think that ought to be a last, last resort, because it really does tend to make the minority party feel like they're being abused and imposed upon. You know, we can argue back and forth. Both parties have used it. You know, is this such a big thing for the country that it shouldn't be used on this, as opposed to other things. That's largely a subjective determination.

We can argue that back and forth. It should not be resorted to unless the situation is just extreme, because it probably will bring everything else to a stop. That said, it probably will be used. (Laughter.) And so – because their argument is going to be, hey, nothing else is going to

get done, anyway, so what are we really losing? And that's kind of how dysfunctional the place has become. But the thing to look at in the Senate – they are surely going to get 50 votes.

I mean, they can lose nine Democratic votes and still have the vice president break the tie and pass the bill into law – at least, the correction parts of the bill, taking out the Nebraska provision and the special union provisions and a lot of the other things that people didn't really like about the original Senate bill, and understandably so. That's going to get stripped out. That's what we're voting on in the Senate. It's not the broader bill.

So they'll get 50 votes for that. But here's the real thing to focus on in the Senate – and I have intentionally uncluttered my mind, these last 11 years, with all the procedural minutiae in the Senate – but this reconciliation issue doesn't get resorted to very often, and one of the reasons it's going to be resorted to is that you're not allowed to filibuster a bill under reconciliation. So you can get a straight, up-or-down, 50 vote.

But – and here's the interesting part – apparently, you're allowed to offer unlimited amendments. So you can't talk it to death, but you can offer 10,000 amendments. So here's the thing to look at in the Senate: Look at the parliamentarian. This poor guy is going to be asked, at some point – the Democratic leaders are going to come to him and say, come on, we're on our 1,000th amendment here. This is, in effect, a filibuster. These are dilatory, frivolous amendments. They're just trying to talk the thing to death. These are not appropriate under reconciliation.

And so the parliamentarian is going to be asked to determine, are these legitimate amendments, or is this, in effect, really a filibuster? And that's going to be, you know, a very hard decision for him to make. Who knows how he's going to come down on that. And then the ultimate trump card in all this, by the way, which we've never, I don't think, had to do before, is apparently, the vice president, at some point, as the presiding officer in the Senate – let's say the parliamentarian basically throws up his hands and says, how am I supposed to know whether these amendments are legitimate or not?

I've got to take the Senators at their face value. So I can't just unilaterally say these are illegitimate amendments designed solely to filibuster, so I'm just not going to rule that's the case. Apparently, the vice president, then, has the ability to override the parliamentarian and say, no, no, I think the parliamentarian got it wrong. And that ruling by the vice president, then, is subject to a 50-vote, up-or-down ruling by the body as a whole. So if I haven't completely fogged all of your, you know, brains – and you wonder why I'm retiring?

That's what's going to be going on in the United States Senate. So game it out. We'll go through, probably, who knows, weeks of amendments. The parliamentarian will then rule. If he rules that it is, in essence, a filibuster, we'll go straight to the vote on reconciliation. If he rules, I can't tell, I'm not going to cut them off, then the vice president will probably step forward, say no, no, you got it wrong, this really is a filibuster, and we'll vote on that.

And then all hell will break loose and the thing will probably get passed. And then nothing will probably get done for the remainder of the year in the United States Senate. If you

put a gun to my head, that's what I would say is likely to transpire. Did that answer your question? That was your first question, right? (Laughter.) I can't even remember the second one. (Laughter.)

Q: The second was, given the freedom of your decision, what would you like to play out?

SEN. BAYH: Oh, right. I'm a rogue agent, now, right? I can say whatever I think and do whatever I want. It's remarkably liberating. It makes me the most dangerous man in the Senate. (Laughter.) Well, look, I voted for the original Senate bill, even though it is not what I would have written. I would recommend to you something that Bob Bennett – good Republican from Utah – and Ron Wyden – Democrat from Oregon – had put together.

It had equal cosponsors – about eight Democrats, eight Republicans. And the president and many others have said, look, if we were just starting with a blank piece of paper, that's the kind of system we ought to try and create in this country. Basically, it would be based on the free market. It would create exchanges, healthy competition for health-care services. But it would be based on individuals, who would be receiving, if you were indigent, you needed some help economically, you'd get a subsidy so you could go forward and compete for private insurance in the marketplace. So it's based on that kind of model.

Democrats would like it because there'd be universal coverage and there'd be subsidies for those who are less fortunate, economically. Republicans would like it because it would be based on the free market model, which usually is a more efficient way to go. But the objection to that, ironically, was it's too big. The political process, as it's currently constituted, will never be able to get that done. Well, we've seen that's become an issue nonetheless. So if it had just been me starting off from the beginning, I might have really tried to do something along those lines. But that was never even attempted because they thought it was just not practical.

The reason I voted for the Senate bill, even though there were obviously things in there I'm glad, now, are going to be taken out was, I asked myself the question – and it was about a 51/49 percent call in my mind, frankly; this was not a clear choice one way or the other to me – things I thought were good, things I thought weren't good. I asked myself, okay, if we do nothing, if we just try nothing, what's going to happen?

And I think you will see that if we do nothing, costs will continue to compound at double-digit rates going forward, this will exacerbate the deficit even more, affordability of insurance for people in the private market will get even worse, some of the practices like pre-existing conditions and lifetime caps and things like that will continue and will become more difficult as more people lose their insurance and that sort of thing. Your burdens, because of cost-shifting, will get even greater.

You will probably be looked at to help resolve the deficit, in some ways, without getting the cost-shifting addressed, which will make your burdens even more difficult. So we will keep in place a system that is not working well and that is going to continue to get worse with each

passing year. So the final deciding factor in my mind was, look, let's try something. Even if it's not exactly what I would do, let's try something.

And if there are things about it we don't like, parts of it that aren't working as anticipated, let's go back and correct them. But to just do nothing is going to guarantee that things continue to get worse. And so I was willing to take the chance that we would make things better and improve it as we went forward. That was the ultimate deciding factor in my mind. Did that respond to your question, at least a little bit?

Q: It did. Thank you, and thank you for your service to Indiana, as well. (Laughter.)

SEN. BAYH: My privilege, thank you. (Applause.) Are you the hook? Well, Chip is the hook. So again, I want to thank you for your hospitality. I really do appreciate what you do, both for the communities economically in which you operate, and also for the health care you provide. And I will, for at least the next 10 months, and then as a private citizen, do my dead-level best to be a voice for reason and progress. And let's not give up, okay? Thank you all very much. (Applause.)

MR. KAHN: Okay, what a morning. This is the end of our plenary session for this morning and for this year's meeting. I look forward to seeing all of you, I hope, tonight at the chairman's dinner. This session is adjourned and I look forward to seeing you next year here, same time, same place. Bye-bye. (Music.)

(END)