

**FEDERATION OF AMERICAN HOSPITALS**

**ANNUAL CONFERENCE**

**REMARKS OF  
THOMAS DONOHUE,  
PRESIDENT & CEO,  
U.S. CHAMBER OF COMMERCE**

**TUESDAY, MARCH 7, 2006**

**MORNING SESSION**

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MR. KAHN: Thank you, Julie; that was great. We're going to switch the last few items on the program a bit, because Tom Donohue needs to get to the Hill, so we're going to have Tom, the president of the U.S. Chamber speak, and then we'll end with a very special presentation, and I know all of you will be here for that.

Our next speaker is Tom Donohue, the leading face and voice of business in Washington, in the United States, and arguably in the world. Tom Donohue is president and chief executive officer of the U.S. Chamber of Commerce. The U.S. Chamber is the largest business federation in the world. Tom's leadership over the last few years has revitalized the chamber and built it into a lobbying and political powerhouse.

Under Tom's leadership, the U.S. Chamber has taken many stands on health and supported our nation's hospitals. An example of this is that the chamber has frequently called attention to the physician-owned specialty hospital issue that has hurt our community hospitals. He has also stepped up to the plate on the issue of un-insurance and been outspoken on trying to get Americans covered. But maybe most importantly, he has taken the lead on the issue of liability reform generally, and particularly malpractice reform. The chamber understands under Tom that you can't just pass a bill. You also have to make sure that you have a legal environment that is going to sustain the action of state legislatures. And he really has been the leader across the country, not only in state liability reform and medical malpractice reform, but also in trying to get judges in key spots who will respect the actions of those legislatures and stick by the rules in terms of liability reform.

You know, Tom is just a real leader. He is a real leader in the trade association community. He has been a mentor to me in my role in this association and in other associations as a CEO of an association, and it's just a real honor to have him here this morning and have him before us. Please give a nice round of applause to Tom Donohue.

(Applause.)

TOM DONOHUE: Well, thanks, Chip. Thank you very much. Ladies and gentlemen, I am going up after we finish here to testify on the whole question of due process and the protection of our personal liberties. And I am going to try and save some of my passion for that, but I am very pleased to be here to talk about your subjects and the issues that you are meeting here to consider.

First, let me say that I want to return the compliment. Chip is a very serious person with extraordinary background on the Hill with a broad knowledge of his subject and his willingness always to help his friends, which in turn brings others to help him.

Second, I want to say that you might imagine with an organization our size I come today prepared with some comments that our healthcare people put together that react and respond and talk about the things we're doing. But I thought what I might do if you'd allow me a minute or two is to give you some reflections of what I've been thinking about the last day or so while I had on my mind that I'd be coming over here to speak.

You know, health care is the most emotional issue that we deal with anywhere on Capitol Hill. It's worse than trade. It's worse than China. It's worse than Arabs buying our ports, which they're not doing. Because it's such an emotional issue because people – nobody wants to be sick; nobody wants to be in pain; nobody wants to die; and nobody wants to pay for it. And there's an overwhelming feeling in the political system that health care is the hottest potato that they have to deal with, and therefore they, more than often than not, don't deal with it.

Second of all, the amount of money that is involved in this is astronomical. And the reason that we have so much money involved in this is all about demographics. Now, of course, it's also about new technologies and new medical abilities. But the real interesting issue in health care – I always say, why should we be upset about a business that soon is going to be 20 percent of our gross national product? Why should we be upset about a business that hires so many people, that pays good salaries, that creates new inventions, and in many ways leads the world? Well, it's all about who is paying how much. And a lot of this is being paid by large legacy companies or being paid by the federal government. So everybody is focused on the growth in the costs of health care.

Now, why is the health care cost so high? You know, plus or minus 50 years ago, we made some deals in this country. The government and the large companies said to their workers, look, we'll make you a deal. If you'll work and then you'll retire and you'll go on a cruise and you'll come home and statistically die, which was like 63 years of age, then we'll give you health care and pensions for the rest of your life. Now, these weren't dumb people. These were very smart people. It all started after the Second World War when there was control on wages so people could give benefits and the unions were major drivers in making this happen. Well, when we come home from the cruise now, we live for sixteen and a half years. Maybe we can work our way through pensions there, but you know, working our way through health care gets very, very expensive. And why?

First of all, you get to 70, your pharmaceutical costs go way up. You could still be very healthy and working and so on. Second of all, the longer and longer we live, the more dementia we have, the more illness we have. Third of all, and I think very significant, we're facing extraordinary challenges in the end-of-life care. So it is in these environments and in the political reality that everybody wants to run for office talking about health care, but as soon as they get to the House of Representatives, they say we'll handle that after the election. Well, we just had the election. Well, we'll handle it after the next election. Meanwhile, there's lots of conversation and people are doing a lot of thoughtful things, you know, and I'll talk about those.

But I have come to a conclusion, and I don't know whether this fits in with your own agenda. I have come to a conclusion while there are things we ought to press the administration to do that they can do and a number of small things that we ought to press the Congress to do along the margins, we're going to have to face the health care challenges of this country very much as a private sector. I mean, there are fundamental realities that the government controls. I mean, the hospital starts off with a bad day when the government announces what it's going to do about Medicare and Medicaid. And the government's idea is we'll shrink the reimbursement. Okay? They do that.

Next guy in the hall that comes to see you are the large health organizations, and they are going to shrink their reimbursement. They want a better deal. Followed by large companies or government agencies – state government agencies – who all want their deal. And then we get down to the point, sooner or later, that the hospitals have to make up the margins on the small companies and the private payers. Well, that's only going to last so long and that's not going to work. We see doctors changing their practice of medicine, more and more doctors saying I'm not taking Medicare patients. More and more doctors saying I'm not taking your health care. I don't need six people here to fill out forms and I don't need to call up all day and talk to people that just got out of high school about what I'm allowed to do to help you, so I'll sign your form, but you pay me cash. We are moving in a way that the private sector is beginning to think about ways to take events in their own control.

So let me say a word about that. You know, there is a great deal that we can do in the business community, in our personal lives, in our hospitals, to look for ways to collaborate and to work together to control our costs and at the same time to provide quality care. As Chip indicated, we've been working very, very closely with your organization and others in a number of important coalitions, trying to find ways to drive ourselves towards positive results with a minimum amount of government assistance. Now, I represent 3 million companies. And companies have traditionally been the major source of private health care insurance, almost 140-plus million people covered now, more than that actually. And then everybody tells us we have 45 million people not covered.

Have you ever divided that number up by the way? About a third of them – about 15 million people – are covered, but they haven't signed up. They are covered by various different government programs that totally protect them, children and adults, and they haven't signed up. About 15 million of them are people that have the means – you know, it's very hard to get them to do what we want them to do. And then there's 15 million people that absolutely need the help of the community and we got to figure out a way to get them covered.

But as we look at these issues, as we look at what we're going to do in the hospital community, what we're going to do in the medical community, what we're going to do in the business community, we need to get very, very much focused on some surrounding issues that are going to force our hand. More and more now as companies

are reducing or reordering their medical coverage by saying look, we're going to pay 85 percent and you're going to pay 15, well, that's absolutely rational, although a lot of union plans and other would go nuts about that. Or they'll say, we're not going to any longer pay for all of our retirees' pharmaceutical care when in fact it can be covered by the government. You know, we're being pressed by the realities of what's going on in the legacy industries – the steel industry, the automobile industry and others. We're being pressed by the costs that are being put on us by our providers because of how they're being pressed, and look at what we're doing.

You go over here to Maryland, and the other day, we had all these folks go out and go after Wal-Mart. Okay, you saw that. And the deal was, they were going to – they passed a law – which by the way, is fundamentally unconstitutional – well, they can't. You know, you're not allowed to pass a law that affects only people of certain characteristics. We're not – I mean we wouldn't be allowed to say, look, this is a law that affects Hispanic people and Irish people and Portuguese people. In fact, well, that would be gone. So to pass a law that says this is what Wal-Mart has to do doesn't make any sense at all. And when we go to court on that, we're going to win it. But the people that supported that didn't follow page two and page three in what this is going to do. First of all, Wal-Mart does spend near or more than the money the law requires them to spend. But all of the other small companies in Maryland are now faced with the reality that when Wal-Mart – and they'll come up to that number even when we win the lawsuit – has now set a standard that is very, very difficult for them to match and they need to go out now and figure out to attract people, they're going to have to provide more health care than they thought they were. So there are external events.

What's going to happen to the union pension plans and the union health care plans in the automobile companies? They're going to have to change them. And all of this is a sort of piling up of outside forces that we're going to have to deal with, and our objective is to deal with it in a way where the private sector still controls a lot of what goes on, where the private sector takes care of what they can take care of, and then and only then do we go to the government and put a lot of pressure on them on the kinds of things we need to do.

You know, we're all very engaged in HSAs. We are seeing that helps us cover a lot of people that we couldn't cover before. We're seeing a massive increase in them. And we're working for the marginal legislation that would say look, let's raise the limit on tax-free contributions to HSAs. Why not? And let's allow individuals to deduct the costs of their premiums for their high deductible plans. After all, there is a lot of deduction by companies. And let's provide a tax rebate for small business owners who contribute to their employers' HSAs and let's provide a refundable tax credit for low-income individuals. That is sort of that's how we're going to help people pay. Now, all of those arguments looks like we're running around, trying to get the federal government to do a lot more work. In fact, what we're saying, what we want for small people working together – and I'm going to talk about this in 30 seconds – we want them to have the same opportunity to buy en masse, to be served en masse as do the larger companies.

Now, of course, consumers can't make very wise choices and informed decisions without good information. And I'm very much of the mind that while we are passionate about health care, we are relatively as a society ignorant about health care. You know, I know people that go around and talk to fifteen people about who they're going to take their car to to get it fixed, but they'll go to any doctor under any circumstance, pay any amount of money or go to any hospital if they have a pain, because they know they're right. Well, that's another speech.

But to bring to a very important point – we all observed what happened in Louisiana and New Orleans. By the way, I went down there and I've been around. I'm an old guy. I'm in the gray hair club. I've seen a lot of stuff. I've never seen anything like that. I flew in a helicopter 30 miles by 15 miles where we're never going to be able to rebuild that. I mean, people think we are, but that's just kidding everybody. I landed and walked around and there were no people. There were no dogs and there were no birds. It was quiet. It was like I was on Mars. This is a real serious issue.

But you know, we learned something from New Orleans. We learned about the levees and everything and we learned something else – that health care records disappear in water and in fire, and the only people that got out of there other than the folks that had downtown offices on the one high part of New Orleans where Bourbon Street is, the only people that have any records of their health anymore are the people involved in the military plans because every one of those guys or ladies carries around a card that has got their whole deal on it.

And we need better health care information. You know, everywhere else in our society, we're working very, very hard to improve our information technology to get – look at what you can get on the Internet. I mean, just think about what you can sit down and get on the Internet. And yet, if you go into a doctor's office, behind him he's got a whole slew of all the files since 1905, you know, and you wonder what's in there sometimes. Think of all the trees we could save by not having to cut them down to make all that paper. So I think one of the things, and I'm sure Newt talked about that, that we can do is go out and use the same energy on health care that we've used in logistics and inventory and retail, and let's get some common sense records. If we do that, by the way, we're going to make health outcomes a lot better. We're going to have available information. We're going to have less errors. And by the way, we all know errors in hospitals, errors in doctor's offices, errors everywhere. I've already made three errors this morning, you know, and we all make errors. So we want to limit the number of errors by going to as much information as we can.

Another issue in controlling costs is greater access to health care in having greater access is a certain amount of reforms in Medicare and Medicaid reimbursements. Now, some of this can be done administratively. But we can't drive people out of this system. We need to understand end-of-life care. We need to take an enlightened way of doing – by the way, you guys are all in the hospital business. You ever see those forms that people have to fill out? If my son became a doctor, I would try and tell him to get in with some really good people and then I would try and figure out a way to bankroll him on

cash flow and tell him not take any Medicare, not take any worker's comp, don't take any health insurance. Go practice medicine and make people pay you money. Now, there's one problem. You'd have to be the best guy on the block. But you could do that -- and so I think we really need to look very, very hard on these reimbursement rates because they are coming down and putting the pressure on the small companies.

I think we ought to also -- and I get a lot of heat on this and if any of my members in the health community are here, that's okay -- I get a lot of heat on this when I say let's support these association health plans where a whole bunch -- where the distributors or the people in the trucking association or whatever can with all their small companies -- and we're not doing it -- put together association health plans so these people can go out and collectively buy, get better deals, get better service, get better information, and in return give back to the providers the kind of information and record keeping and support that makes this a better equation for everybody. And so we're going to support that. We're going to push it. I think we've resolved most of the problems that the health insurance industry has and we're moving in the right direction.

Now, I've been very quiet. I got one issue. I spend a lot of time. We spend 40, 45 million dollars at the chamber kicking the stuffing out of class action and mass action lawyers that are sucking the vitality out of American industry and sticking it in their own pockets. (Applause.) There is a collateral and very, very important set of issues in medical malpractice insurance.

Now, by the way, let's start with the facts. There is malpractice. There are accidents and there are accidents of ignorance in both the practice of medicine and in hospitals. You cannot -- it's exposure. It's exposure. I used to run the American Trucking Association a hundred years ago, and you could figure out how many accidents there were going to be just by exposure. Figure out the number of miles you drive and the number of times you do this, you multiply it out, there's going to be some accidents. And when there are accidents and when there are problems, then there should be appropriate compensation.

But what's going on in the malpractice insurance deal is to force -- not only to drive up and drive people out of the business -- I mean, you go to places in Illinois or Mississippi although they just changed the law, and you try and find a neurosurgeon or an OB/GYN guy, you can't get them. You know, across the nation, in California that has some protection, an OB/GYN probably pays 60 thou (dollars) in insurance. But go to Illinois, he's going to pay north of 200 thou. I mean, how do you do that? I mean, you have to work -- after you pay your taxes and pay, why are you in the business? So people are getting out. And what we need to do is we need to get reasonable liability rules. We need to say in very, very clear terms we're not going to force everybody to play such defensive medicine.

By the way, in my younger years, back when Christopher Columbus came here, I worked in hospitals and operating rooms. I know a little bit about this business. And defensive medicine is driving up the cost. It is changing the psyche of what everybody

does. It's changing the record keeping. It's doing all kinds of stuff and it's taking the humanity out of medicine and we've got to say to these guys the party is over. We're going to fight you and not settle with you and we're going to force – here's one place we're going to continue to force changes in the law to make it easier for people to do what they're responsible for in the medical industry and that is to take care of our bodies and souls and to do so with dignity without fear of getting sued every time they make a decision. (Applause.)

Now, we've made extraordinary progress in the chamber in all of these areas. And I'm hopeful that we might sneak this piece of legislation in with some other things that have to get done before this year is over. But there is a growing recognition that we've got to do this. Now, I want to end by two issues. First, we've got to work – all of us – to make health care more accessible. And that means that we have to press the government for its responsibility. And we have to press people to take available programs that are already in place and they're not taking advantage of. And we have to look for ways in our companies to do everything we can to let people know how to most effectively access healthcare.

I have to tell you a little personal story, and then I'm going up on the Hill. Two years ago – we have a friend who is an intern, is a cardiologist, sort of getting – still practicing, very, very popular guy, sort of getting at the end of his career, but a really well-connected, smart guy. And I said to him one day, I want you to come work for us on a part-time basis. Well, he liked it because his partner had retired and -- well, what do you want me to do? I said I want you to do two things. Twice a month, I want you to run a little brown bag session on health issues – you know, prostate cancer, breast cancer, blood pressure, diabetes, obesity, whatever it is. And then, I want you to come down here every week two days and I want you to have office hours, but no medical stuff. No stethoscopes, no blood pressure; just you, not white coats in this office to help people. And I want you to do this in a way that I never know and the senior management in this institution never knows who came to see you and what they came to talk to you about unless they come tell us. And this has been phenomenal. We've driven our health care costs down 12 percent.

I know the first person that came to see me came in and said – was in tears. It was a woman. And I said, what's your problem? Oh no, no, I'm happy. Oh, you're happy? You're crying. That's interesting. (Laughter.) What happened? Well, she said, I took my five-year old son to the pediatrician last week and he got very exercised (?) and said we have to take this child right away to a hematologist. So I called up – you know, in the plan I'm in, I called up. Two of them were away and I couldn't get an appointment, so it just happened to be that day that Dr. Guaz (sp) was here so I went down there and sat down there and talked to him. And he said first of all, I don't know what the problem is, but I've listened to the whole thing. Don't get so excited. Second of all, sit there a minute. He makes a call. He said, can you go at 5:00 today? She said yes. She goes home, gets her kid, 5:00 goes, everything is fine. Comes back in the next morning, is crying in my office. And I said, what are you crying about? She said, you

realize I'd be sitting around for two more weeks worrying about this thing? You realize none of my friends work for companies that do this sort of thing?

Well, this issue on getting access and dealing with elderly parents and dealing with kids, teenagers, in dealing with this sort of three-level family where people now are both working; they're taking care of their children; they're taking care of their parents; and they may be taking care of their grandparents. There is nowhere to go to get somebody to explain and to counsel and encourage. And that's one of the most fundamental things in helping people access health care. I am astounded about how complicated it is for older people, even when they have help of family, to know how to get it done. And so I, in my last comment about helping people get access to health care, it's not only those without insurance; it's those with insurance. It's not only those without good doctors; it's those with good doctors. It's not only those that can't go to good hospitals; it's those that do go to good hospitals. And we can make a huge improvement and bring a lot of support to the things we're trying to do by putting a human face on health care that has been driven away in many ways by lawyers that want to sue you, by government systems that depress you, by paperwork that limits you. Let's just have a little bit of a revolution and go take care of the people that come under our support, whether it's because they work for us or they go to your hospitals, whether it's because they take your pharmaceuticals or they go to your doctor's office. We can do something about that, and when it is all said and done, it is going to be what the business community and the individuals do to go out and get as much stuff done without government, and then to put together a big coalition of interests in one piece at a time to drive the government to decisions that make common sense. Very difficult.

Common sense does not have a location here in Washington sometimes, but we're working on it. And I want you to do it. And I want to end by saying, you know, you guys perform an extraordinary service to your country and to your community and your fellow citizens, and you ought to be very proud on that. And you ought to get a little bit tougher about people that want to make it a little more difficult. And I know I learned one thing about members of Congress and the Senate and the White House, they all learned how to count before they learned how to think. And if enough folks lean on them in a very positive thoughtful way, more productive stuff happens. Thank you very much.

(Applause.)

MR. KAHN: Well, thank you, Tom. That was perfect. And we all do know how to count.

(END)