

THE FEDERATION OF AMERICAN HOSPITALS

**2007 PUBLIC POLICY CONFERENCE
AND BUSINESS EXHIBITION**

TUESDAY, MARCH 6, 2007

**8:10 AM – OPENING REMARKS:
CHIP KAHN, PRESIDENT,
FEDERATION OF AMERICAN HOSPITALS
KEITH PITTS, CHAIRMAN,
FEDERATION OF AMERICAN HOSPITALS**

**8:15 AM –
INTRODUCTION FOR/SPEECH BY REP. RANGEL**

**8:45 AM –
INTRODUCTION FOR/SPEECH BY SEN. MCCAIN**

**9:15 AM –
INTRODUCTION FOR/SPEECH BY SEN. WYDEN**

**9:45 AM –
INTRODUCTION FOR/SPEECH BY HHS SEC. LEAVITT**

**10:15 AM –
INTRODUCTION FOR/SPEECH BY DOL SEC. CHAO**

*Transcript by:
Federal News Service
Washington, D.C.*

(Applause.)

CHIP KAHN: Good morning, and welcome to the second plenary session of our meeting. I appreciate you all being here this morning. We have quite a morning for you, and I'm going to get kicked off right now with our first speaker, Chairman Charlie Rangel of the Ways and Means Committee. Mr. Rangel is a long-time friend of the federation. He has served in Congress since 1970 and is currently in his 19th term as the representative from the 15th Congressional District of New York.

It's a real honor for me to introduce him this morning because he's from the generation of leaders of the House of Representatives who were the kind of legislators who bring people together, ideas, issues together, to get things done for the good of the nation. He is the kind of chairman who will make it happen. He knows the health issues. He understands the needs of seniors and the uninsured. He will make a difference during his tenure as chairman of the Ways and Means Committee. Join me in welcoming this morning Charlie Rangel, chairman of the House Ways and Means Committee.

(Applause.)

REPRESENTATIVE CHARLES B. RANGEL (D-NY): Good morning, and welcome to our nation's capital. The good news is that we are now going through a period of adjustment in the Congress that can only turn up better than it has been in the past. We have had at least 10 years of polarization that have caused people not to listen to each other but to stress the differences that we've had. And while that has changed in the House and the Senate, it still means that we're going to have to regain a sense of mutual respect so that the American people can get from their Congress a sense that they're listening to them rather than arguing with each other.

House Ways and Means Committee was a committee that was established in 1789. We've only had some 60 chairmen since that time. And we have the broad jurisdiction of taxes, of trade, Social Security, and, of course, Medicare. We share the health delivery system with the Commerce Committee, which deals with the questions of Medicaid; that is, health care for low-income people, poor people. And, of course, we have Medicare. And we work together on that.

It seems so tragic that today, while so many of our young people are being exposed to harm's way and more wounded are coming per capita back from the war in Iraq than every before – and fortunately because of technology, more lives are being saved – that we find on the front pages of our papers that these brave young men and women come home to inadequate health care. And it reminds us that if this is how we're going to treat the bravest among us, isn't it time that we review how we treat the normal American citizen during the time that not only are we going through problems of foreign

policy, but problems of domestic policy in terms of the competitive nature of the United States of America.

I don't think we can any longer look at the delivery of health care in little pieces. A nation has to be strong in knowing that whether we're talking about peace or war, the education of our people, the ability to have health care and a place to stay, and more importantly, a place to dream and a place to aspire, is just as important as anything that we can think of when we try to determine what makes a nation so great.

Many, many years ago, people didn't come to this country for health care. They came for a better way of life. But as the immigrants aspired and their children were inspired, we built the greatest republic that mankind has ever known. Now is the time for us to have to review the direction in which our country is going and we cannot do this unless we have an educated community. We cannot afford to have a country where half of its kids do not succeed in high school. And by the same token, we have to have a community that as well has access to health care. And what do we have so often is that, as we have our exporters involved with trade, they are paying more for health care than they're paying for the resources that are necessary for whatever services they have.

It seems to me that when they're competing with nations that provide education and provide health care as a subsidy, we cannot long be competitive unless we find some way to make certain that every worker and every family has health insurance. To the extent that we have the complicated delivery system that we've had in the past, we have to come together to make certain that whether it's employer provided, whether it's Medicaid, whether it's Medicare, no matter what the system is, that at the end of the day – and it should be earlier rather than later – every American will have the ability to know that they can go to work knowing that their kids are going to be able to get health care, their parents can get health care, and we can move forward and meet the challenges that we have as a country.

(Applause.)

Many people have talked about how we do it. And as the new chairman of the Ways and Means Committee, at least with the jurisdiction over that part that deals with providing health care for our elderly, I am so pleased that the federation has decided to be one of the big major providers to get involved in fixing the system. It is so easy to curse the darkness. It is so easy to say what the government is doing wrong. And god knows with the regulations and the problems that are created through the bureaucracy, there's enough blame to go around for all parts of government.

But when the private sector decides not just to scream but to see what we can do in working together, the federation has set a large role in how this nation is going to deal with the problems of the uninsured. And so, I am pleased to let you know that the Subcommittee on Health will be working with the federation, will be coming together so at the end of the day, we would know that all Americans will be able to say that in this country, they don't have to fear not having health insurance.

And I thank you for the effort that you've made and the leadership that you provided in making certain that this new Congress starts out – it starts out not only with a sense of Republicans and Democrats working together, it starts out with us trying to work with the administration the best we can, but it starts off with people who really know the problems that are there every day in our private hospitals, in our public hospitals, in the delivery of resources, in the insurance industry, to see how we can maintain the high standard of health care that we traditionally have provided and, at the same time, make certain that the 45, 46, 48 million people who go every day without it are included.

(Applause.)

And so as you embark on your conference here, your annual conference in your nation's capital, I want you to have more of a sense of confidence than perhaps last year or the year before that we will be working together as members of Congress, the House and the Senate, the Ways and Means Committee and the Commerce Committee. And I hope that whatever recommendations that you have, areas that we should be looking into, the more contributions we get on suggestions of how we resolve the problem, the more effective your Congress would be.

Always remember that at the end of the day, we work for you. We need your direction; we look forward to it, and I hope at the end of this year that we will be able to take the contributions you've made and report to you that we have, because of your contribution and because of the Congress working together, that we have a better health delivery system. May God bless you. Thank you for coming and I look forward to working with you now and in the future. God bless.

(Applause.)

KEITH PITTS: Good morning. We had to switch things around a little bit to get everybody to accommodate all the schedules of our honored guests this morning. So this was going to be our first order of business this morning. I want to report that this so far has been a phenomenal meeting. Thank you all for your attendance. This is wonderful. I've been very especially pleased to hear many positive comments regarding yesterday's buyer execs position. On behalf of the federations' board of directors and board of governors, I would like to express our appreciation to all of you attendees for making this meeting a must-attend in your busy schedules.

I would like to take a moment to thank all of our sponsors whose companies' names are on the screen before we began and were also published in the printed program. Their generous contributions make our conference better. I would especially like to acknowledge the significant contribution of GlaxoSmithKline for sponsoring the buyer supplier reception last evening and to Baxter Healthcare, Press Ganey, and Sanofi-Aventis for sponsoring this morning's session. We are greatly indebted to all sponsoring companies and the federation appreciates the ongoing support they provide.

Our purpose today is to ensure that we avail ourselves of the educational opportunities in today's sessions and workshops which will unquestionably assist us in the mission to provide our nation with the highest quality health care at the most affordable prices. And hopefully we'll be able to continue on with our program. The distinguished speakers, Senator McCain should be here any minute, and we have quite a lineup all the way through Senator Wyden, and Secretaries Leavitt and Chao today. So we have a very packed morning this morning, it should be very entertaining. And with that, let me see if – we may have a few minutes to do another presentation. It'll be a little bit like this all morning, I have a suspicion. (Chuckles.)

Let me introduce Chip to you. Thank you very much.

MR. KAHN: Thanks, Keith. Elvis is in the building. (Laughter.)

(Pause.)

MR. KAHN: So we've got to wait till he gets to the green room. This session, and I know most of you have been here many times over the years, is always a challenge because we have one after another and sometimes – the trains always run; they don't always run precisely when you want them to. But we'll have Senator McCain on in a moment. So as soon as Bonnie gives me the "high" sign.

Just to remind you, we have Senator McCain and then we'll have Senator Wyden and Secretary Leavitt and then Secretary Chao. So, I'm waiting for the "high" sign. What do you say to a thousand people as you're trying to stall? (Laughter.)

(Pause.)

MR. KAHN: I think I'll start. It is my pleasure this morning to introduce Senator John McCain of Arizona. He was first elected to represent the First Congressional District of Arizona in 1982 and to the United States Senate in 1986, taking the place of the late Barry Goldwater.

You all know about Senator McCain's record. He's a decorated war veteran. He has been a major leader in the Congress, both in the House and the Senate. He's currently ranking member of the Senate Committee on Armed Services. He also served on the Senate Committee as the chairman of the Senate Committee on Commerce and Science and Transportation. He serves there now as ranking member and on the Senate Committee on Indian Affairs.

When I was a House staffer back in the late '80s, I worked on a lot of Medicare legislation, and it was a time when Senator McCain was in the Senate. And I remember that the Medicare catastrophic legislation had just passed and Senator McCain was one of the members. I worked for Bill Archer from Texas who was raising some issues about it. And what struck me about that process back in 1989 – and he was really the leader of it in the Senate, and Mr. Archer and Mr. Donnelly from Massachusetts were the leaders in

the House – he was willing to look at a piece of legislation that had passed and really not take anything for granted. He was willing to ask questions and continued to ask questions. And that's the kind of leader that he is.

Ultimately, Medicare catastrophic was repealed. And it was repealed because he and others asked the questions, and at the end of the day, that was the wrong legislation at the wrong time. And it was repealed. That's the kind of leader he is. If you look at his career in the Senate, he never takes anything for granted; he asks the hard questions; and then he acts. So it's a real pleasure to bring you this morning the senator from Arizona, Senator John McCain.

(Applause.)

SENATOR JOHN MCCAIN (R-AZ): Thank you very much. Thank you. Thank you. I thank you for the kind introduction, and translated into English that means I was not elected Miss Congeniality in the United States Senate that year. (Laughter.)

And I thank you all for being here. I have worked with your wonderful organization for many people like Rich (?) Ballantine (sp) and many others in my home state of Arizona where obviously we have – we are very much of a growth industry as our state continues to grow in a dynamic fashion and we continue to be a place where people want to spend not only their active lives, but also their retirement period. I've been asked to announce that the temperature is 75 degrees in Phoenix this morning by the Chamber of Commerce. (Laughter.) We have so little water in Arizona, the trees chase the dogs. But other than that – (laughter) – we're doing fine.

I know that some of you insomniacs saw me on Letterman the other night. I'd like to tell you that I'd like to begin by asking your sympathy for the families of the state of Arizona, and mothers, because Barry Goldwater from Arizona ran for president of the United States, and Morris Udall from Arizona ran for president of the United States, and Bruce Babbitt from Arizona ran for president of the United States – (laughter) – and I from Arizona ran for president of the United States. Arizona may be the only state in America where mothers don't tell their children that someday they can grow up and be president of the United States. (Laughter.) I appreciate that. (Applause.)

As you many know, in the 2004 election, there was some conversation about maybe I would be vice president of the United States, it wasn't clear which party, but there were conversations. (Laughter.) And I was on one of the – I think it was Jay Leno, and he said, well, Senator, what's this about you being vice president of the United States? And I said, well Jay, I spent all those years in a North Vietnamese prison camp, kept in the dark, fed scraps. Why the heck would I want to do that all over again? (Laughter.) So, anyway. (Applause.)

I come to you today with a bit of sadness because after I leave here today I'm going back to the Senate and we're on the Armed Services Committee. We're going to have a hearing on this terrible situation out at Walter Reed and perhaps around the

country as far as treatment of our brave young men and women who have been injured. This is a very tough issue and obviously it should have been addressed long ago. Obviously those of us who are in positions of responsibility in the Congress are responsible and culpable as well, and I assume that responsibility. And I think that when you look at the facts, it's hard to understand how situations like this should exist. And I think it's our obvious obligation to do whatever is necessary to care for these brave young people. I've spent a lot of time with them as so many of my colleagues have and obviously it's a totally unacceptable situation.

I would like to point out something that you are very aware of – very, very aware of – and I think it's important that we keep in mind that there are thousands and thousands and thousands of dedicated men and women, doctors, nurses, physical therapists and so many others who spent so much of their lives caring for our veterans. And I would hate to see them tarred by the brush of this scandal and somehow diminished because – or their morale harmed – because there are so many that do such wonderful work on behalf of our veterans, both in the VA and with our active-duty personnel. So I hope we keep that in mind as we look and try to address this terrible situation.

I also think that there's an argument that needs to be made to look at the overall system. And I think the people in this room could be very helpful in this because there's not a seamless transition as far as health care is concerned today between the active-duty personnel and the VA. Quite often, there are people that fall through the cracks, difficult in making the transition, and I think that, if the next time you have an issue that deserves the attention of the thousands of years of experience in this room, maybe you could appoint a taskforce and have them take a look at this separation between two bureaucracies that are quite often certainly not seamless and sometimes even contradictory.

So we need to look at the Walter Reed situation and any others that exist around America and in the world as far as our care of our active duty as well as veteran personnel. But we also, I think, have to look at the system. And I know that it reinforces our love and care and concern for those young men and women who have served so nobly.

About a month ago, I was down at San Antonio at the opening of a rehabilitation center that was paid for all with private donations – \$50 million rehab center there at Brooke Army Hospital. It was a moving experience. It was an example of the generosity and love that the American people have for those who have served. And there was about 4,000 people there and we all sat down and they said, now let's welcome our heroes. And about well over a hundred of these young people in wheelchairs and on crutches, some terribly burned, came out. And that really gives you an idea of how many and how deep has been the sacrifice already in this very difficult conflict that we're in.

And you know I talked to as many of them as I could. They're proud they served. They're proud of their mission. They're proud of their comrades. They're proud to be

Americans. And you know, the worst mistake of the Vietnam War was that Americans turned against our Vietnam veterans because they were against the war. Still, that's a blot in my view on the reputation of this great nation. I am grateful that that's not happened in this conflict, no matter how people feel about the war. So the next time you see one of these young people in uniform in an airport or at a restaurant or anyplace else, just go up and say, thanks for serving. Because that's all they really ask of us. And I thank you for your love and your care for them. Thank you.

(Applause.)

You are in the forefront of the most significant issue of the 2008 election, and that's the issue of health care. I have town hall meetings all the time all over the country, in my home state of Arizona, strangely enough in New Hampshire, Iowa, other places. (Laughter). After I lost to President Bush in South Carolina in the year 2000, I slept like a baby – sleep two hours, wake up and cry; sleep two hours, wake up and cry. (Laughter). But every townhall meeting, one of the first issues that's asked about is health care.

We have a strong economy today. We have low inflation, we have low unemployment; we have a robust economy as we make this transition to information technology. A lot of that is directly involved with your business. But yet 65, 70 percent of the American people think that we're on the wrong track, that the country's on the wrong track. Never before – and I watch the polls all the time, there was a famous French leader named Murat who said once, show me where my people are going so I can get out in front and lead them. (Laughter). And these polls show we've never seen quite this much of a contradiction.

Now, there are several reasons why Americans are unsure about their future. Their parents worked for the same company for so many years, retired with health insurance and with a pension. Obviously we know that's not true anymore. There's great churning out there in the job market. For my state of Arizona, for every three people that moves in, two move out. And one of the great casualties here, of course, is their uncertainty about their ability to keep health insurance. And that scares them. And we all know that. And it should scare people. It's very concerning. No one wants to become ill without health insurance. And we've got to look at that issue. And we've got to look at it carefully.

Now, COBRA, as you know, allows people to move from one job to another with health insurance policy. That's good news. How many Americans do you know that lose their jobs that cannot afford that health insurance policy? How many of them are required by state mandates to have even hair transplants? Shouldn't we give them ability to have alternate health insurance policy so that – one that they can afford which would provide them with a minimum of care and perhaps catastrophic insurance while they're in this job transition period? Don't you think we need to look at that so that we can give people more of an assurance that they will be able to keep their health insurance as they move around in this job market that is so transient today?

I believe that we need to address this issue and address it seriously. I think that one of the places we should start, of course, is the SCHIP program. It's a successful program. It's a much-needed program and obviously we need to give the highest priority to children in America. It's your job and my job to make more families know that they can take advantage of this program. How many millions of families today don't take advantage of it simply because they are unaware of it? And obviously it's up for reauthorization, as you know, and we need to do the best we can to make it as widely used as possible.

One other aspect of this issue I'd like to talk to you about is, you and I know that the major cause of most of the problems we have in healthcare insurance today and health care today is inflation. How can you possibly keep up, as an average citizen, with your healthcare costs if inflation is 9, 10, 11, 12 percent annually? You can't. And if we don't start trying to get the inflation associated with healthcare costs under control, I believe that we will never be able to adequately address the issue. And there are some obvious answers. As you know, malpractice reform is a vital part of any real way we're going to bring inflation under control. We've got to find better ways to treat our sickest patients, giving them better health and reducing costs at the same time.

There are inefficiencies in the present system that you're all aware of, excessive regulation, and many other aspects of health care that we can address immediately. I'd also like to remind you that, having just experienced it in the case of my mother-in-law, a living will is vital. Every American, every single American, should have a living will. And I believe that people should be educated, and certainly not mandated, but educated about the beauties and dignities of hospice, how we can cross over the bridge with dignity and a loving and caring environment. I hope all of those are issues that I put before you today.

I know that you have – the federation has developed its own proposal for how to address the issue, and policymakers at all levels of government need ideas such as yours. So I don't come before you this morning as a total expert on health care. I get briefed on some aspect of it every single day because when you rank it in the needs and concerns and care of the American people, that issue always is in the top two, one, two, or three.

The people in this room do more in a single day for Americans than I do in my six-year Senate term. I am grateful to have the opportunity to be in your company. You are the example of what the free enterprise system, combined with care and compassion and love, can provide to the greatest nation in the world. And one of the reasons why we're the greatest nation in the world is because we can provide the best health care in the world. The question is, are we going to be able to provide it to all of our citizens? And that's our great challenge in the 21st century.

It's a pleasure to be with you this morning. I want to thank you again for inviting me. And before I close I'd like to just address to you one other issue which is the most major on Americans' mind today and, of course, that's the war in Iraq. Very briefly, the

war in Iraq has been mismanaged terribly. We're paying a very heavy price in the sacrifice of our brave people because of that mismanagement. We now have a new general and we have a new strategy and we are achieving already some degree of success. Success in Iraq means we bring about a stability in Baghdad, in particular, and also across the country so that economic and political progress can be made, so that people can live decent lives and then the Iraqi military and police take over our responsibilities, Americans would draw and gradually leave. This is a very long, hard, difficult struggle.

I would argue to you that if we leave Iraq now that there will be chaos, there will be genocide in the region. And I am convinced that unlike the Vietnam War, when we lost the Vietnam War, we came home. The Vietnamese didn't want to follow us home. If we lose in Iraq and leave, they will want to follow us home and they will follow us home. If you read al Qaeda, if you read Zarqawi, if you read these other people, it's very clear what their real intent is. Whether it was in the beginning, it is now part of the struggle that we are in between good and evil, between the standards and values and everything we believe in – and this great force of evil that has taken over in the form of radical Islamic extremism.

So there's a lot at stake here. I think all of us understand the frustration and the anger and the sorrow that Americans feel about the conduct of this war and the way that it has turned out. I urge your continued support for this new strategy. I ask, obviously, for your continued support for the young men and women who are serving in it who are the very best in America. I am very optimistic about the future of this country. I believe when I am in the company of people in this room who provide the best health care in the world, when I am in the company of the young men and women who are serving in the Peace Corps, AmeriCorps, our military, I am optimistic. I believe that this nation's best days are ahead of us and one reason for that is because of the dedicated service of the men and women in this room. I look forward to seeing you soon. Thanks for having me.

(Applause.)

MR. KAHN: Thank you, Senator. Well, what a morning. I'd like to take a few minutes now and acknowledge the outstanding contributions of a special person who's with us today. People in our industry know that there's really only one place to go for the latest news about hospitals. The place is *Modern Healthcare* magazine. When Crain Communications bought *Modern Healthcare* 30 years ago, it was monthly; it was also losing money. That was then, but now *Modern Healthcare* is the nation's leading healthcare news weekly.

Chuck Lauer made that happen. Unfortunately, we don't have enough time to adequately describe all of Chuck's tremendous impact upon our industry. He is also known around the country as an author and a motivational speaker. I know that and you all know that from reading his columns every week. Most of us know that Chuck is retiring in his position at *Modern Healthcare*. And over the years, he has received numerous awards and commendations. But today, we'd like to give him one more.

And ladies and gentlemen, I would now like to have Chuck come to the stage – wherever you are, Chuck. (Applause, music.) We’re delighted you’re here today, Chuck. And on behalf of the Federation of American Hospitals and on behalf of our members, I’m pleased to present you this special recognition. And it reads as follows: “In recognition of Charles Chuck Lauer’s outstanding leadership, boundless energy, and unfailing commitment and remarkable dedication to health care in the nation’s private hospitals.”

And one more note, we know that you particularly love animals and particularly malamutes, and that they’re near and dear to your heart. So it’s my pleasure to offer a small token of our appreciation in your honor that you can give to the Illinois Alaskan Malamute Rescue Association.

MR. KAHN: So do you want to say a few words?

CHUCK LAUER: I’d be delighted, thank you.

MR. LAUER: If I may. Being a peddler, I’m never at a loss for words. This is a great honor; totally unexpected; wasn’t necessary. I’ve spent 31 years as the publisher of Modern Healthcare Magazine. And if I may just suggest the reason I have enjoyed my tenure as the publisher is because of the people like you. I don’t think there’s a greater bunch of people in the world than the ones that are in health care. And anytime I have an opportunity to visit with you – and I know so many people in this room – it is such a refreshing joy to be with you all.

The other thing you’ve heard from – by the way, Charlie Rangel and Senator McCain – and as you may or may not know both are decorated heroes. Charlie Rangel was a combat veteran in Korea. And Charlie – of course, we all know Mr. McCain’s history. But I want to echo what they said about our troops. My son is a Marine and is no longer a Marine. He came out after 10 years and now he’s an investment banker, God bless him. (Laughter). And he has six children, five boys and a girl. And it’s just wonderful, but the incredible thing is the dedication of these kids who serve us all over this world and provide us the wonderful freedom we enjoy so much.

I think my greatest joy is not only being in the greatest industry in the world, health care, knowing the greatest bunch of people I’ve ever known in my life in health care, but more importantly being a citizen of the United States of America which is the greatest honor and privilege, I think, bestowed upon anybody. And I always finish any comments I make to anybody about this country, I always say God bless you; most importantly, God bless the United States of America. God bless you all and thank you very much.

(Applause, music.)

MR. KAHN: Okay, we are going to have Senator Wyden here in about 10 minutes or so. Why don’t – I almost hesitate to do this. (Laughter). I should just get up

here and keep talking. But why don't we take a stretch break, but stay in your seats. We will back in a few moments. I'm going to leave the lights down so you won't leave. But Senator Wyden will be here in a few moments and we'll get the program going. I appreciate you all being here this morning. As I said, we have Senator Wyden, we have Secretary Leavitt from HHS, and then we have Secretary Chao from the Labor Department. So in a few minutes I'll be back. Stay in your seats, but you're welcome to stand up. Thanks.

(Pause.)

If everyone would come back to their seats; Senator Wyden is extremely close. And I just wanted to say a couple of things. One, I deeply appreciate everyone staying. It looks like we've got all of you stuck and you didn't move very far from your chairs. There was some mention this morning of the federation's health coverage plan that was made public on the 22nd of February. And we obviously have a lot of materials around, but for those of you that want to learn more about it, you can go to www.fah.org/passport, and we really would appreciate hits on the link and any thoughts that you have about it. We'd appreciate that. Or if you go and read the materials and like the approach we've taken, cards and letters to your congressmen and senators or other leaders about the proposal is much appreciated.

I don't know whether our proposal eventually, you know, or what its fate will be eventually, but the membership of the federation feels extremely, very strongly that it was important to make a constructive statement to further the debate about the uninsured, to push on this national conversation we're beginning to have. And obviously, our membership is willing to work with anyone who wants to pursue solving this problem but we felt it was important to get a full set of ideas out. So please read the proposal; comments, send to us; if you like it and want to express support for it with leaders, that is appreciated too.

So let's wait a few moments here. This phone's going to vibrate – (laughter) – and then we'll know that Senator Wyden is in the building. (Pause.) So we're about two minutes away.

(Pause.)

Okay. Now it's my pleasure to introduce the senior senator from Oregon, Ron Wyden. Ladies and gentlemen, earlier this morning, it was also my pleasure to introduce the chairman of the Ways and Means Committee and I characterized him as a kind of member of Congress from an older generation, the kind of member whose role in Congress was to get things done. Now we have another member of Congress, Senator Wyden, another member out of that mold. He is a leader who is willing to offer the provocative idea to lead and then to work with his colleagues to find solutions. That is why he has developed and introduced the Health Americans Act, a plan to cover all Americans and help them retain their health as well as their health insurance.

He is pushing the envelope with this proposal. He is leading, but he, at the same time, is ready to roll up his sleeves and work with the public, with the outside groups, with members of Congress, with others with other ideas to come to a solution to solve this problem of health insurance coverage in America, to solve the problem of the uninsured. That's the kind of leader he is. That's the kind of man he is. It's my pleasure to introduce to you this morning, Senator Ron Wyden from Oregon.

(Applause.)

SENATOR RON WYDEN (D-OR): What an inflationary introduction and I thank you, Chip, very much for that. I know you're going to have lots of speakers today so what I've decided to do is I'm going to put my prepared remarks in the congressional record – and they'll be available by mail or e-mail – and just touch for a few minutes on some thoughts about where we are in this 60-year debate about how to fix American health care. And then I'd like to throw it open for some questions and particularly get federation members involved.

My sense is first that we are on the cusp of a very big breakthrough in this whole debate. You may have heard that about 10 days ago, 10 United States senators joined me in sending a letter to the president saying that we all wanted to work with him. And this letter was a big lift for both Republicans and Democrats. The Republicans on the letter said that, in their judgment, you couldn't fix American health care unless you covered everybody. And I think we all understand that because unless you cover everybody, the costs for those who have no coverage get shifted to those who do have coverage. But the Republicans who signed that letter embraced those words that have been pretty hard: "universal coverage." You can take a lot of flack for that if you get into that with a lot of Republican organizations. But Republican United States senators, to their great credit, said you can't fix health care unless you cover everybody. That is point number one in the letter.

Point number two in the letter was a big lift for Democrats who signed it because they acknowledged in point number two that you need a big role for the marketplace. And they referenced the fact that economists of all philosophical views have made the point that the tax code disproportionately favors the most affluent and rewards inefficiency at the same time. Not much of a bargain for \$200 billion to go out the door that way. So that was a big lift for Democrats in the United States Senate.

So there is the nucleus of a bipartisan effort for mixing American health care right there in that letter. And I can tell you in the cloakroom conversations, in the discussions with senators of both political parties, there is a real appetite to move now for significant health reform. And it's coming from a lot of corridors you wouldn't normally think of. Andy Stern, the president of the Service Employees International Union, 1.8 million members, said, in fact, divided government – when you have the president of one party and the Congress of another party – is exactly the time, exactly the time, to try to move ahead because you've got both sides needing to communicate to the American people.

So I think that this is a unique time, and the legislation that Chip mentioned that I've authored, the Health Americans Act I think is an opportunity for people to come together along the lines of what was referenced by the Democrats and the Republicans in the letter to the president. When I announced it last December, a group of people stood with me that have never stood for a piece of legislation, not principles, not guidelines, not concepts, an actual piece of legislation. I had labor leaders. I had three groups of business leaders represented. Steve Byrd, the CEO of Safeway with more than 200,000 employees represented large employers. An Oregon manufacturer represented mid-size companies, a CEO of a company with 400 employees. And then we had a member of the National Federation of Independent Businesses with eight employees who said he begins his day by sweeping off his doorstep – haven't had that before.

And the legislation has three big ideas to it. And I'll just lay them out briefly. The first is, it is time to cut the cord between health insurance and employment. We've had that system since the 1940s and it happened by accident. We had wage and price controls at the time. We had the troops coming home. We wanted to make sure that they got good benefits and there was no other way to do it. Well, we could handle that in the 1940s. In the 1940s, if you lived over here, you might work over there, and you might be up against some competition that was 50 miles away.

Today an American business competing against China and India and scores of other nations can't compete with the system we have today. So the first thing I do is go where no one else has gone. Not Governor Romney. Not Governor Schwarzenegger. No other piece of legislation. And by the way, I think Governor Romney and Governor Schwarzenegger deserve considerable credit for their innovative efforts and their desire to lead.

My legislation goes where nobody's gone and that is to cut the link between health insurance and employment. We do it in a way so that employers and workers benefit with the very first paychecks. There is a requirement that employers who offer coverage to their workers give those workers cash equal to their health benefits. We adjust their tax brackets. We make it possible for them to use a state agency, not unlike what Governor Romney has proposed, and if they can save \$400 or \$500 on their health insurance, they can go off on a great fishing trip in Oregon. It's a market.

The worker wins, the employer wins on the first day because the employer doesn't have to pay the rate of growth. And at a time when a lot of Americans think the federal government can't organize a two-car parade, let alone deal with one-seventh of the American economy, that's what it's going to take to get people serious about health reform, is to show it can work with the very first paychecks.

The second big idea in the legislation is we will save an enormous amount of money in terms of administrative costs. This has been documented by the Lewin Group. It's on my website. Because people sign up once – once they are signed up, they are in the system forever and everything then is handled through the magical world of withholding. If they're working, the employer takes out what they owe, that's sent off to

pay for health care. If they're not working, the person's subsidy goes up, they still have to make a contribution, but it is all done within the world of withholding. Nobody has ever thought through the kind of administrative savings you get by not forcing people to jump through these hoops time after time after time and constantly go through the drill of paperwork and administrative costs.

And finally the legislation acknowledges another key point, which is we are spending enough today on American health care; we are not spending it in the right places. This year we're going to spend \$2.3 trillion on medical care. There are 300 million of us. You divide 300 million into 2.3 trillion and it would be possible, my friends, to go out and hire a skilled physician, pay that physician \$200,000 a year, and say, doctor, you're going to take care of seven families. For the amount of money we are spending today, we could literally go out and hire a physician for every seven families in the United States and say doctor, that's your job this year.

Whenever I mention that to physicians, they always say, Ron, where do I go to get my seven families? Because they'd obviously like to be doctors again, to be advocates for their patients and do what they were trained to do, rather than people who, in the typical doctor's office, have to have two people on the phone a good chunk of the day just trying to figure out what an insurance company matrix is likely to pay for a given service. We're spending enough. We are not spending it in the right places.

So what does this mean for providers like yourselves, people who run hospitals? It seems to me there are at least two major breakthroughs in the Health Americans Act for providers like yourselves. First, everything that I hear from providers is that a big, big challenge for you is to deal with bad debt and the costs that come in the door of people who have no insurance. First of all, I have an individual mandate in my legislation: Everybody would be required to purchase health coverage. So we combine the ethic of universal coverage with an individual, you know, mandate, what people like Chip Kahn probably said would have produced universal coverage back in 1994. We can talk about that history later. But for all of you, what it means is fewer people coming to your doors without coverage.

Not only are more people going to get outpatient health care at a less expensive cost than they do today but fewer of them will arrive at your door without coverage, particularly a group that is a growing challenge in America, and that is people who are capable of buying insurance coverage, maybe relatively young, but just have not been willing to buy coverage. And there has been no ethic with respect to why it's even important.

I recently gave a talk in Bend, Oregon, beautiful town in central Oregon, in my state. And I had gotten to this point where individuals would be required to purchase coverage. And I could kind of watch people in the audience, particularly some younger people in the back. And so when the talk was over, we kind of made a beeline for each other.

And one of the young people – unlike me, great tan and blond and 27 years old – and when you live in Bend, Oregon, and you look like that, you are sure to be a skier. And I looked at him and I said, skier, right? He said, yeah. And he said, I just came up to tell you, Ron, I really like you; you're a great guy. You're for all the environmental things, I'm always going to vote for you. But I really don't like this deal where I gotta go out and buy health coverage.

And I said, yeah, I can see why that'd be the case. And I looked at him, and I said, you're a skier, right? Yup. And I pointed at the mountain, beautiful mountain right outside the door – it was in St. Charles, a wonderful hospital in Bend. You could see the mountains from the room. And I said, what happens if you crack up when you're up their skiing this weekend and you have a big accident? And he said, Ron, I really thought a lot about that. If I'm in a really big accident up on the mountain, in a big crack up, I'm going to buy insurance then. (Laughter.)

So he was very earnest. And you always want to be respectful of your constituents. And I said, gosh, that's sorta not the way insurance works. What you gotta do in insurance is you gotta kinda buy it ahead of time; you gotta, like, buy it before there's a big accident. And the way it works is you and everybody else goes out and pays a chunk of money – it's costly but it's not going to do anybody in because we're all doing it – before there's an accident. And if you buy it that way, then we have that pool of funds in order to cover people.

And he looked at me and he said, gosh, I never thought of that. And so we have a big education job. I told him about my bill. He didn't say, well, now I'm going to off and make calls; tell everybody to support the Healthy Americans Act. But it was clear that that was something that had never been communicated. And I think that's a debate we can win if we can get the word out about why it's so important in a system that finally gets everybody under the tent for essential coverage.

So I've just described a major way to deal with one of the biggest challenges hospitals face in our country. And that's the bad debt question and the fact that a lot of people haven't been willing to buy insurance.

There are other, I think, features in the legislation talking to my providers at home that they've been attracted to: In particular, people who do come to your hospital will be served with insurance and you will be reimbursed with commercial rates. So people will have private coverage. Folks who are low-income – first we're going to do more to keep them out of the hospital until it's really necessary, but if they do arrive at your door, they're going to have private coverage. And you're going to get reimbursed not at Medicaid rates but at commercial rates. So both of those features, it seems to me, are attractive to providers like yourself.

So that's where we are in terms of this part of the 60-year debate. This has gone on in this country since 1945, the 81st Congress with Harry Truman. You almost can set your clock by it. Every 10 years, there's an effort to try to see if we can come together in

health. There's been a great deal of good work done. To a great extent, your organization and others have done a lot of the heavy lifting over the last couple of years simply by being willing to open up channels of communication and bring people together in a way that didn't exist in 1994, the last time there was an effort to deal with this.

But I will tell you I think that this time is different. You did not have in 1994 Steve Burd, the CEO of Safeway, standing next to Andy Stern, the head of the Service Employees, and people like myself for a particular piece of legislation. You'll recall in 1994, most of those people were investing millions of dollars advertising against each other, not trying to find common ground. In 1994, the business community said we can't afford healthcare reform. In 2007, they'd say we cannot afford the status quo. So we have come a long, long way in this 60-year journey.

I've written a piece of legislation that I think can bring together legislators of both political parties. The letter to the president, which gets into the principles around which I built the legislation, provides an opportunity today for Democrats and Republicans to come together. Let us not wait another year-and-a-half and say, let's have another presidential campaign; we'll watch all those debates. Let us try to find common ground now. Let us try to build on the progress made by the federation and many other good groups to try to come together.

The fact that Democrats and Republicans in the United States Senate are doing some heavy lifting to find common ground – I wanted to come today because I think your organization is absolutely essential to the efforts to finally, after 60 years, fix American health care. And I want you to know I'm looking forward to being in that battle with you until we get the job done. Thank you.

(Applause.)

Softball questions are always welcome at gatherings like this, and Chip and Jeff told me you wanted to spend a few minutes at the mike, so let's make this a little bit of a federation town meeting and I'd be happy to respond to your questions. I think I see one – are you an asker or an arranger?

Q: I'll ask you something, Senator, a softball question. Thanks so much for being here and for being so engaged with the issues that are important to us. One of the things that you've expressed interest in that you didn't address this morning is access to information about price and quality. And I was wondering maybe if you could elaborate on what your thinking is on the important subject.

SEN. WYDEN: What I put in the Health Americans Act was an effort to try to build on some of the other outstanding efforts going on in both the private sector and what Congress has been looking at now for a couple of years. When someone goes to an insurer and signs up under the Health Americans Act, we'll open up an electronic medical record for them at that time, which it seems to me is one way to bring people into the system that so hungers for change. I'm always struck in many Oregon communities

the corner grocery store has more technology than a doctor's office. So that is clearly an important part of the equation.

We also charge the federal government with taking the information that is now out there in various parts of the healthcare system and bringing it together using Medicare information and other information about quality measures so that over a three or four year period, the government would run a website. So on a zip-code-by-zip-code basis across the country, it would be possible for people to get the information that you're talking about.

I think the biggest challenge, with respect to health information and health technology is to try to find a way to bring the other, the disparate efforts that are under way – I mean, we know what the problem is. And the problem is that today in America you can usually get more information about buying a washing machine than you can about health care. And there are a host of important efforts going on in both the private sector, the Congress has been wrestling with a health IT effort for, you know, several years.

And so, what I thought do in my legislation was to try to build on that. I felt that the requirements and an electronic medical record be opened when someone signs up with an insurer was an important beginning and then the government website to build on some of the efforts that are underway now to get information were the next logical steps in terms of congressional action.

A pretty bashful federation group. I don't see this often. Yeah?

Q: Ron, I'm from Portland, and I was here a year ago at this meeting and I went over to your office and met with you. You – I asked you a question about healthcare reform and you kind of laid out your thoughts. And I have to say it's really wonderful to have you represent our state and the fact that you actually put into action what you said. Yesterday we also heard from David Walker who was giving his synopsis of the state of our economy. How compatible is your program with what David Walker was expressing yesterday?

SEN. WYDEN: Without turning this into a bouquet-tossing contest about Portland, Oregon – (laughter) – we are the capital of healthcare reform in the United States. On virtually every street corner in Oregon, people are debating how to fix healthcare. It's striking. John Kitzhaber, you may remember, our pioneering Oregon health plan a number of years ago, the first to ever get serious with people about how you've got to make choices in health care, that you can't do everything, which is something I tried to sneak into the Healthy Americans Act after the initial benefit package. We have an advisory process that is somewhat similar to what we tried to do in Oregon which is to say there are only so many dollars; you've got to make choices. And your comment reflects, you know, the fact that Oregon really is continuing its pioneering and trailblazing efforts.

What David Walker is talking about, of course, is also reflected in what I'm trying to do. The reason I want to move now – and David Walker particularly talks about the demographic, you know, revolution – is that this combustible mix out there is about to explode, the combination of the demographic trend, which David Walker speaks about so eloquently. The huge cost increases – Price Waterhouse saying it's going to be 11 percent at least this year in terms of premium increases – the huge increase in chronic illness and the disadvantage that our companies have against global competition, this is about to explode, folks. And I think that's why there is this unprecedented coalition coming together.

So what David Walker is trying to do, in my view, is very constructive, very consistent with what I'm talking about. And I often kid him because he's very helpful and involved in our Citizens' Healthcare Working Group as well, I sort of call him the healthcare Paul Revere because he is going out around the country trying to clang this bell that this is not some kind of trifling kind of thing. And I particularly like his message of urgency and that's why I made the point that I hope all of you will make the push for reform now. I don't think we need to wait another year-and-a-half for all the presidential debates and for every one of those candidates to go to every small town and lay out their plan.

They've all got good ideas and the federation's efforts and the health insurers' efforts – I think we have a pretty good roadmap of where we need to go. And I wrote a piece of legislation that I think reflects a lot of that thinking. I hope we learned some lessons even in writing the bill. The legislation in 1994 came in at 1,364 pages. When I would take it around, I would always feel I was getting a workout. My legislation is 166 pages, so we saved 1200 pages of Oregon trees, and I'm going to get it down to 140 pages because I think people know where we need to go. I think we know where we need to go. This is a question now of the political will that is so essential to get there.

If Chip is on his feet, that is a general communication that I probably ought to be off mine. (Laughter.) And more than anything, I wanted to come – you are wonderfully served by Chip and Jeff here in Washington who work very closely with myself and senators and members of Congress of both political parties. It's enormously helpful to have people like Chip and Jeff who take that approach. And I just want all of you to know that when you go home and you talk to your member of Congress – and you'll already see that people are having those conversations in the United States Senate; I think it's just starting in the House; I think we're further along in the Senate – I think you will find a very receptive ear to looking now at the kind of big decisions that need to be made for us to do what hasn't been possible in 60 years. I think now is the time and I think people like you can be catalysts to bring it about. Thanks for having me.

(Applause.)

MR. KAHN: Thank you, Senator Wyden. That was great. And the morning continues now with Secretary Leavitt, the secretary of Health and Human Services.

Secretary Leavitt was sworn in as the 20th secretary of his department on January 26, 2005. He's been a governor, governor of Utah. He's been head of other federal agencies, the U.S. Environmental Protection Agency. He knows how to set goals, focus and achieve. He has done that at HHS. He has set very specific programmatic and policy targets. He has made it clear that time is of the essence. He keeps track of every day – and I just checked with him there are 686 left – days for him to accomplish.

It is my pleasure to serve on the secretary's IT Commission, the American Health Information Community. I see the kind of unique leader he is. He pushes to produce and he brings to consensus. He is a unique secretary and a unique individual. It is my pleasure to introduce to you, the secretary of Health and Human Services of the United States of America, Michael Leavitt.

(Applause.)

SECRETARY MICHAEL LEAVITT: Thank you, Chip, I am delighted to be with all of you today. I will say, as I know I've heard others say, you are well served by your president, Chip Kahn. He mentioned his service on the American Health Information Community. I interact with him it seems like constantly. He does a good job. We've become good friends. He knows that one of the big things that's happened in my life recently is that I've become a grandfather. Another friend of mine explained to me why it is that there is such a close bond between grandparents and their grandchildren. He explained that it's because they have a common enemy. (Laughter.)

Today I would like to address what I believe are some common goals we have. Chip indicated that I have some very clear objectives that I'd like to achieve over the course of the next 686 days. We have, I believe, a shared value in the need for us to handle the rising healthcare costs that threaten our economy. My department recently put out a report that indicated that healthcare costs will double in the next 20 years. I mentioned that I've become a grandfather. When I was born in 1951, healthcare costs were 4 percent of the economy. When my son was born about 26 years later, it had doubled to eight. When my first grandson was born, it doubled again to 16. You get the pattern here. We can't sustain it. I believe we share that value. I think we all know that if we don't, the very important programs we all depend on cannot be sustained.

Second, I think it's been talked about a number of times today, the need for us to solve the problem of millions of Americans who don't have insurance. I want to add my voice to that. I know that you're concerned about it. We're taking some very direct action that I hope that you'll be helpful on.

And third, we need to ensure that our public policy continues to recognize that health care is better run through the private sector and not having Washington take over the healthcare system. While the federation and the administration don't see eye-to-eye on every policy, I think it's very clear that we agree on the three goals I've talked about today.

There are always, and will always be, short-term money issues that we have to work through. But the reality is those short-term things get taken care of if our long-term goals are met. If we reign in healthcare costs, for instance, we'll be able to sustain the vital programs of Medicare and Medicaid and children's health insurance plans. We have an opportunity to create a new healthcare system in this country and I believe that, in fact, is the challenge.

Now, I've become fond of saying recently that I'm not sure we have a healthcare system in this country. We have a big rapidly growing, robust healthcare sector, but I'm not sure we have a healthcare system. Now, we're surrounded by economic systems. In a few hours, I'm going to get on an airplane, just like most of you will, and fly to a different part of the country. There are a lot of airlines that fly where I'm going, but I will choose one on the basis of a fare or on the basis of a service or a time, but they will all use the same system to optimize the value they provide.

Every one of you have a bank card in your pocket, just like I do. Mine's blue, yours is probably a different color. The banks competed on the basis of the interest rate and their convenience and the contractual provisions, but every one of them use the same system to optimize the value that we receive. You can go to any ATM in the world and get currency from it and deal with your bank account. That's an economic system. We all have cell phones strapped to our side or in our purse and we bought our cell phone minutes or our cell phones from different vendors, but they're all connected into an economic system that optimizes the value that we're able to use as customers.

There's absolutely nothing like that in the healthcare sector. And I believe, in terms of the big picture, in terms of being able to get costs under control, that our first task is to begin migrating from a large, robust rapidly growing healthcare sector, to an economic system.

Now, there are four cornerstones in my judgment that we have to collectively achieve if we are to develop a system in this country. But first of all, the system has to have a philosophy. And the philosophy is seeking value. It is competition based on value. We have all seen the virtue of competition. That's what we believe in in this country. We've seen it work. Recently, we've seen it in the Medicare Part D. There were skeptics when Congress said we're going to not have a one-size-fits-all government program, we're going to allow the market to innovate. And it did. People came forward with innovative ways to solve that problem.

Today, about a year-and-a-half after it began, we have 90 percent of those who were eligible in that plan in a plan, and 80 percent of them by every independent measure, 75 to 80 percent of them are happy. The good news is if they're not happy, they've got an alternative they can find it'll make them happier. And the cost, well, the cost went down from \$37 a month where the actuary said it would start down to \$22 a month. Why? Because of competition. When you give people in an economic system information about the cost and the quality, they will make choices that will drive quality up and cost down.

Now, I have begun to – I’ve experienced this, you have, too. Let me relate what I’m talking about when I talk about a system of competition based on value. This is the system I believe we’ve got to get to. I mentioned – I didn’t mention it; I had a birthday. I’m now 56. It was time for me to have one of those over-50 tests. (Laughter.) All right, I’m talking about a colonoscopy. And I had one about five years ago and I just handed them my insurance card and sat back to endure the experience. That’s all I remember about it. (Laughter.) That’s all I knew about it. I had no idea what it cost.

This time, I got a health savings account a couple of years ago and I was interested to find the best deal and I picked up the telephone and I tried to make an appointment. I called two doctors and I asked them while I was trying to schedule, by the way, how much will this cost? The first doctor said, I can’t tell you. The second doctor said the same thing; he said, you’ll just have to come and we’ll see how it works out. I – that left me a little bit unsatisfied and so I decided I was going to take a little field trip here and check this out. So I did what I heard you in the business call an episode of care. I decided to create a little bid sheet for my colonoscopy. (Laughter.)

And so I got with a doctor that I knew in the department and we went through and kind of listed out the things that you’d need to have if you were going to do this, and then I called back. And we went through each piece of it. And the first was \$6,500. The second one was \$5500. Now, at first, I need to tell you, I was blown away by that/ I had no idea how much it would cost. I just gave them my card the last time. So I was surprised.

I said to my wife, this really surprises me. I wonder if I called out to our home in Utah, maybe it would be different out there? So I picked up the phone, went through my little bid sheet, and sure enough it was only \$3,000 out there. Now, a very interesting thing then happened to me. I started wondering if there’s something wrong with the \$3,000 one. (Laughter.) Now, you never want to cut any corners on a colonoscopy. (Laughter.)

So, then I realized, I am doing exactly what we don’t want the system to produce. I am equating quality with the cost and assuming that the most expensive must be the best. Absent of any other information, that’s not an illogical conclusion. I believe that illustrates very clearly to me, and I hope to you, why we need to go from a sector into an economic system, a system that’s based on competition driven by value.

Wouldn’t it have been a lot better if I could have simply – if I didn’t have to put the little bid sheet together on my own colonoscopy? What if we had a standard episode of care for most common procedures that would allow me as a consumer and you as a hospital to communicate on what the price is and what I should expect? What if I hadn’t had to make the assumption that the highest cost was the best quality? What if there had been a rational measurement of quality, not on something that I developed, but something that you and the medical family devised as a means of assessing quality? What if I didn’t have to make a bunch of embarrassing phone calls to figure this out? We would have a

system of competition based on value, and that is what I believe we must aspire in this country to do, and until we get it, we'll continue to have all of the difficulties in understanding the cost system that we currently have.

I mentioned there are four cornerstones to get there. The first cornerstone is electronic medical records. You'll talk a lot about it today, but the system has to be connected. Every pharmacy, every doctor, every laboratory, you know, every pharmacy needs to be connected. Now we're making a lot of progress on that.

The second is that we have to have some assessment of quality for common procedures, not that Mike Leavitt developed or HHS, but that medical family develops and that they believe in and are prepared to hold themselves to.

The third cornerstone is we've got to have episodes of care. We've got to have little buckets of care that people can compare and understand. And fourth we need to begin orienting the entire system to incentives so that I know as a consumer that every decision that gets made on my behalf is going to be driving quality up and cost down. Now that is a system of competition based on value and competition works.

Now, over the course of time, health care's demonstrated and it's been proven to be a tough thing to do. I just heard Senator Wyden talk about political will. There's a lot of people who don't think there's enough political will in the world to change health care. I'd like to suggest maybe the inverse of that is true, that it's not a lack of political will, it's that we have too much political will. Every time something comes onto the table, legislatively or politically, everybody just un-holsters their political will and aims it each other. And the result is a proprietary stand off that never changes. The only thing that will ever begin to change health care in my judgment enough is a marketplace that begins to be organized along those four cornerstones to create competition based on value. But how do you get there?

Well, there have been over time a lot of employers that have come together to say we're going to organize ourselves to begin to create this market of competition, but they've just never been able to accomplish it. Why? In large measure because they, well, they've never been able to get critical mass. The country's a big place. There's no such thing as a national healthcare market. What there is is a bunch of regional healthcare markets and there's no way in which to organize even the largest employers to be able to begin to affect and shape that market. A large reason for that, in my judgment, is that the biggest payer in the country hasn't been involved, and that's the federal government.

August 22nd of last year, that changed when the president of the United States signed an executive order saying that the federal government was going to change the way we buy health care in a very serious way, four ways, as a matter of fact; see if you recognize them. The first, if you're going to do business with the federal government in the future, you've got to have electronic medical records that are connectable or interoperable.

The second, if you're going to do business with the federal government in the future, you need to find some quality measures we can all agree upon developed by the medical family, you need to adopt them.

The third is that if you're going to do business with the federal government in the future, you need to develop a system of pricing that people can understand. You need to present episodes of care and organize your billings into that kind of a process.

And lastly, if you're going to do business with the federal government in the future, expect that we're going to be paying not just on the basis of the quantity of procedures that you provide, but also the quality. We want everybody to know that decisions that get made on the basis of increasing quality and decreasing costs – I've just described for you the four cornerstones.

We are committed to this. And not only are we committed to it, we are inviting others to be committed to it. I'm spending most of my time – I'll be in five states between the time I leave here and Friday night – meeting with the largest payers in the country asking them to make the same commitment. By April, we expect we'll have 60 percent of the entire healthcare marketplace that will have adopted those same four cornerstones. And today I want to invite you to do that. Many of the largest payers in the country are healthcare providers themselves. And many of those who are joining with this effort to adopt the four cornerstones are, in fact, healthcare providers.

It'll be the market that ultimately allows us to make this change. And I have some optimism we can make it. We can create a system of health care instead of just having a sector. And when we do we'll begin to see serious change in the way we do business.

Many have talked today about the need for us to have health insurance for everyone. I believe that. I believe there is a widely held aspiration that we solve this problem. We talked about it in different ways. If you're one party, you talk about it as universal, if you're the other party, you'd say we want every person to have healthcare insurance. It's the same thing. We want to assure that everyone has access to an affordable basic insurance policy.

There is a wide divergent, however – there's two basic philosophies that are beginning to develop. One is that we ought to have the federal government insure everyone. The other is that we ought to have a partnership between – led by states, helped by the federal government and the private sector. I believe if we have the federal government insuring everyone that the outcome is very clear: We'll have longer waits, we'll have less happy consumers, and we'll have higher taxes. I believe the inverse is true if we follow the other course. But it's going to require us to do some serious work.

Now, there are 25 states or more right now that are developing plans to take this challenge on. You've heard about some of them, some of them you haven't, but you will

soon. This is a very important time because we're making a decision. Which course will we go? I believe that the value proposition is very clear. Here it is: We're a compassionate nation and we want everyone to have access to affordable basic policy. If you're elderly or poor or disabled, the government needs to come together and provide insurance for you and pay for most of it. But everyone else, the state government needs to assure that there is a way in which the market will allow everyone to have access to, at least, a basic insurance policy. And if you can't afford even a basic insurance policy and you're not eligible for those other programs, we need to give you some help so you can. I believe that's the basis on which we will see this unfold.

Now, there are a couple of problems that states on their own cannot solve. One of them is characterized by the teacher's aide who works at a school but not enough hours in which they can qualify for benefits. The other – and she's married to a construction worker. They both work, they earn a pretty good living, but neither of them have access to an employer-based insurance. And consequently, they have to buy insurance on their own. And they typically pay more money for it because they're not part of a group and they also have to pay for it after they've paid their taxes.

That's the problem. States can't solve that problem. And the dilemma is that after you've paid your taxes and if you're paying a higher rate than average, it's just too heavy a lift and millions of people go without insurance as a result. It is indefensible, in my assessment, that this country should provide a tax break – a big tax break, the largest of our tax breaks – to those who buy insurance through an employer and just leave the rest of the people on their own. We've got to solve that. The president's made a proposal that will in fact solve that and make insurance more affordable for 80 percent of the people who have it. That's a very important part of being able to assure that a marketplace can respond.

Well, our goal has to be go from a – let me just add the second thing, problem that states can't always solve is closing the gap of affordability between those who can't afford a basic policy in their own capacity. The federal government needs to help that. The president's made proposals on both of them.

I've used my time today. I want to interact with you a little so I'll just say again, I believe that among the most important domestic challenges we have in this nation is to take the large healthcare sector and to turn into an economic system. That system ought to be based on competition for value. There are four cornerstones: electronic records, quality measurement, measuring cost, and then getting the incentives right. And we need to make certain everybody has insurance. And we ought to be making certain they have insurance in a system that is not dominated by Washington that allows consumers to continue to make choices on their own.

I've talked a lot about a change – we've talked a lot today about change. This is a big change. It'll require all of us to work together, but we can do it. State by state, as we begin working on these access challenges, you need to be at the table. You are among the most knowledgeable people in the state. You hold the key to it. If you'll sit down

with your governor and work through it, we can solve these problems. We're in a global market. We have to change.

We only have three alternatives on how to deal with it. The first is we can fight it. If we do, we'll fail. The second is we can just accept it. If we do that, we'll probably survive. The third is the best and that is we can lead and prosper. This is the United States of America. We are, in fact, a nation that has remained great and become the most important force for good that humanity has presented because we were always willing to change and, as a result, we have prospered and I believe we will continue to do so. Thank you.

(Applause.)

Now I understand that I get to interact with you on some questions and I see microphones in the aisle. And I suspect I have, I hope I have, engendered enough controversy that I'll get at least one question to get us started and that somebody will tell us when it's time to quit.

Q: Thank you very much for your comments. I happen to be a gastroenterologist. (Laughter.) I thought you did a great job.

SEC. LEAVITT: Here to put in a bid? (Laughter.)

Q: Yes, I'll low bid to get your ear. My real comment and then my question to you is, in the other economic systems you talk about, autonomy has been limited. There is a set way, a standardization of going about it. And I work as a chief medical officer with a lot of hospitals. And the problem that I run into on a regular basis is that any attack on autonomy to medical staffs or to physicians is a threat.

And so what I'm curious about – first of all, clearly autonomy needs to be given up for the benefit of society at some level, and that doctors can really do almost everything they want to do, but the perception leads medical societies to sue insurers when they have quality and cost information, and say, here's a low-quality, high-cost physician, you're out of our profile. The next thing is a lawsuit that says, well, you're cutting corners to increase your profits. I've heard that in two states actually recently.

My question to you is clearly that communication interaction – the things that I've heard in the last few days here make eminent sense to anybody who understands the problem. How do you look forward to your communication process with the medical staff who really are controlling about 80 percent of the costs? And I'll sit down and listen to your comments.

SEC. LEAVITT: Thank you. I have – there are a lot of tensions in this and tensions are not bad; they're good. These tensions can be, are seen in lots of different ways. They're characterized by two conversations that I routinely have. One is with the chief financial officer of a corporation who says to me, look, my chief executive's hair is

on fire. He's telling me if I don't get these costs down right now, our economic survival is imperiled. And I know quality is the key and I know this isn't going to be perfect but I need to get this done know.

The other conversation is with a doctor, like the sole practitioner I ran into in Indianapolis not long ago who said, look, I'm part of a collaboration for the development of quality; I believe in quality. Imagine my surprise when I got a report card that said I was a 20 percent doctor on the issue of testing my patients for HIV/AIDS – he was an OB. He said, I knew it was wrong because I test every one, I even pulled the charts and I'd done every one. I pulled my billing records to make certain I wasn't losing money. The thing was just wrong. He said, I later found out that one end of the measurement was checking on billing codes and the other one was using a procedure code and they were talking by each other. But he said, imagine the pain it would have been for me if my patients had seen that report card and assumed I was a 20-percent doctor. That would have been a serious harm to me.

Well, this tension between my hair's on fire, it's got to be now, and I want it perfect before anybody sees it is a pretty good tension, really. Because it means that if they're working together, the doctors have to know that there's an urgency to this and the business community needs to know that this has really got to be right in order to do the good that we intended.

The same kind of tension exists between – on the quality specter. And these are things we're just collaboratively going to have to work through in the development of standards. First thing I would say it's absolutely crucial that the standards for quality are set by the medical family themselves. I mentioned that Chip is part of the American Quality Alliance and the Hospital Quality Alliance. Those have one purpose, and that is to collaboratively develop standards of quality.

Now, can I just tell you, I don't think we're very good at measuring quality yet? We're really not. We talk about measuring quality. What we're really measuring is process. What we're really measuring is best practice. But we'll get better as we go at this. For one reason, we have a hard time collecting the data. Why? Well, because we're doing it manually in most cases. Back to the four cornerstones, if you can get an electronic medical record system that has adequate standards that we can begin to develop an electronic way of sweeping this information up, we'll get a lot better fast.

If we have quality standards that have been established by various professional groups who have the expertise to do it – that they believe in – then we'll begin to see it. Those quality standards ought not to be dictating how everything's done. But it ought to ultimately dictate what we want as an outcome and it also ought to measure what the best practice is between now and then. We'll get better at this as we go.

I described this as a big economic system. While I was in Indianapolis, I was walking through this airport and I saw a car, a racecar from the Indianapolis 500. I thought to myself, that's what people envision when I talk about this system. It's a

racecar that'll go around this track at 200 miles an hour. But the reality is, what we've got is a little pile of wheels, a little chassis, a little Briggs and Stratton motor, and we're going to build ourselves a go-cart, and make sure we know it can run and then we'll let it grow into this larger machine.

We're just beginning down the path of learning how to measure quality and how to compare it with cost and how to create value. But that is our aspiration. It is a system, an economic system, connected together with electronic records where every hospital, every doctor, every lab, every pharmacy have interoperable records, and we're not far away from that day. I believe within two years of today we'll begin to see in limited communities on limited procedures the capacity to draw this information together to give to people. Five years from now, I think we'll begin to see the word value as a regular part of the medical lexicon in this nation. And within 10 years, the system I've described will be ubiquitous and will look back on this as a period of profound change.

We simply cannot do that in an atmosphere of collision; it has to be collaboration. The world is intuitively organizing itself into networks. We need to – and the sociology of collaboration, rather of a network, is collaboration. Collaboration is the skill set of the 21st century that will allow us to continue to lead and prosper. Thank you.

(Applause.)

MR. KAHN: Thank you, Mr. Secretary. That was great. So within the moment, we'll have Secretary Chao here. I'm waiting for the "hi" sign. I do want to thank everyone for being here this morning through our program. I think we've had probably one of the best combinations of speakers we've ever had since I've been doing this for the last six years. (Pause.) Looks like we're close. (Pause.) Okay.

Well, I am pleased this morning, as our final speaker, to introduce Elaine L. Chao, our nation's 24th secretary of Labor and the first Asian-American woman in U.S. history to be appointed to the president's cabinet.

Secretary Chao arrived in America as an immigrant from Asia when she was only eight years old, speaking no English. Under her leadership, the Labor Department has implemented key programs aimed at protecting and empowering America's workers and ensuring the competitiveness of the American workforce.

Previously, Secretary Chao was the president and CEO of the United Way of America and director of the Peace Corps. She has also served as deputy secretary of the U.S. Department of Transportation and chairman of the Federal Maritime Commission. She has served as a vice president of Citibank and of Bank of America. Secretary Chao received her MBA from Harvard Business School and her undergraduate degree in economics from Mount Holyoke College. She is a recipient of 28 honorary doctorate degrees.

Ladies and gentlemen, please join me in welcoming the secretary of Labor, Elaine L. Chao.

(Applause.)

SECRETARY ELAINE L. CHAO: Well, good morning. You have had some great morning. I've been looking at your roster of speakers. Wow, I am really impressed.

First of all, let me welcome you to Washington. It's very important that you do show up and that you understand what his happening in Washington. Sometimes some of that actually scares you. But it's part of our democracy that we stay engaged and that we're alert to issues that impact our communities, so I thank you so much for caring enough to be here and to participate in our democracy.

Secondly, I also want to thank you for inviting me. It's a great pleasure to be here. The Federation of American Hospitals is one of our nation's most respected and influential healthcare policy advocacy organizations. And we are grateful for your shared commitment to increase access to workforce training and also affordable quality health care.

This morning I would like to share with you some thoughts about the state of our economy, proposals to improve our nation's healthcare system, and also a recent legislation that passed the House of Representatives.

Let me say first of all that, today, America's economy is healthy and resilient. It is one of the fastest growing among the large industrialized nations with a 3.1 percent GDP growth rate in 2006 – very enviable for industrialized nations. Last week, we saw the rippling effect of the growing integration of the worldwide economy and the strong resiliency of the U.S. markets.

Our nation's unemployment rate remained low at a 4.6 percent. This is more than a full percentage lower than the average unemployment rate of a decade of the 1990s which was 5.7 percent. So you can contrast this with Europe where two countries, for example France and Germany, have unemployment rates nearly 9 percent. And their long-term unemployed is three-times higher than that of the United States.

America's economy has created 7.4 million net new jobs since August of 2003. That is more jobs created than the European Union and Japan combined. Furthermore, the latest revisions to the payroll employment survey show that our country actually created a million more jobs over the past two years than have previously been reported.

America's workers are among the most productive of any major industrialized economy. And strong productivity growth in recent years is translating into higher wages and a higher standard of living for our people. Real wages for workers increased 2.1

percent over the past 12 months. That is an extra \$1,244 of new purchasing power for the typical family of four with two wage earners.

America's workforce is also characterized by our flexibility and mobility. And that's really important because our country is transitioning to a knowledge-based economy. And over the decade ending 2014, for example, the U.S. will need over three million healthcare providers – no surprise to you, I know, in this audience – and technical specialists including physicians, therapists, and over 1.2 million registered nurses. More than ever, education, training and re-training are the keys to future earnings and also secure employment. Our country must find ways to fill the immediate critical shortages in our U.S. workforce, especially in the healthcare sector. And I know I speak to a very sympathetic audience in this hall.

In December of 2006, Congress enacted a three-year extension to the legislation that allows admission of non-immigrant nurses in healthcare professions. In his State of the Union address in January, President Bush again emphasized his support for comprehensive immigration reform. The president's plan would protect border security and create a temporary worker program to address the needs and realities of our growing economy, and his proposal would allow the employers to hire foreign workers in situations when there are no willing American workers available to fill these jobs. Now, hopefully Congress will act this year to pass this comprehensive immigration reform.

As I mentioned before, expanding access to quality affordable health care is another high priority for this administration. And you have heard from Secretary Leavitt in much, much greater detail what the president and the administration is thinking of. But let me just briefly go through that and touch upon one area that's in my department.

In his State of the Union address, President Bush proposed two significant healthcare initiatives that will help more Americans afford basic private health insurance. Under one proposal, families purchasing health insurance will pay no income or payroll taxes on \$15,000 of income, and that covers most Americans. Single Americans purchasing health insurance will no pay income or payroll taxes on \$7,500 of income. And the president's plan would actually level the playing field by giving all Americans the same standard deduction whether they get health insurance through their job, from their employers, or buy it on their own.

And for those who are unable to afford coverage, the president's Affordable Choices Initiative will help eligible states assist their low-income and hard-to-insure citizens in purchasing private insurance. Under this initiative, as you know, existing federal funds will be used to create affordable choices, grants to assist states in helping to provide private insurance to those most in need, without, again, increasing federal health spending on the rest of us.

Also included in the president's plan is his proposal for association health plans. These association health plans, or AHPs, would allow small employers as well as civic and community groups to band together to access quality affordable health care for their

workers. AHPs would enable small business employers to get the same discounts that big companies and unions currently receive. And association health plans will also help lower overall healthcare costs by promoting greater competition and choice in the healthcare insurance industry. So we believe that by enacting these proposals, our country will take a big step toward closing the healthcare coverage gap.

Now, finally, let me mention a bill that was passed by the United States House of Representatives last Thursday. The bill is called by its proponents the Employee Free Choice Act. It's HR-800, otherwise known as "card check." Now, although this title sounds empowering, the bill does just the opposite. It effectively takes away a worker's freedom to choose and worker's freedom to vote in a private-ballot election.

Now, let me tell you what's going on. Under current law, the most frequent form of union organizing is a private-ballot election certified by the National Labor's Relation Board; it's an independent regulatory agency. Now, this official process – and it is official because it is overseen by this federal government agency – this official process has worked well for American workers for over 60 years. Its formality ensures election integrity, that each person's vote counts. And it also promotes democratic self-determination by allowing each worker to choose what's right for him or her without that choice being made public.

However, under this newly passed bill by the House, this is what happens. A union will automatically be certified if union organizers are able to gather the signatures of 50 percent plus one worker in any given workplace. There would be no private-ballot election and indeed under this card check process, it's possible that nearly half the workers in a workplace might not even be aware that a union organizing campaign is going on. The union organizers are basically pass out cards, and again, if 50 percent plus one worker signs these cards, the union will be automatically certified. There would be no private-ballot election. Now, interestingly enough, under this newly passed House bill, decertification of a union can only take place by a private-ballot election.

Now, there are two other provisions in this bill which I want to bring to your attention as well, because equally troubling is a mandatory binding arbitration provision in this bill. It would bypass the ordinary collective bargaining process and instead force both employers and the union into contracts that neither may like if the parties don't reach an agreement within a set timeframe. And at this time the bill says about 90 days. So within 90 days, if management and labor do not come to an agreement on a collective bargaining agreement, there is mandatory arbitration – mandatory. And then whatever is decided is a collective bargaining agreement. You cannot decertify for the length of the collective bargaining agreement.

Now, combined with the card-check method of organizing, this provision would essentially – this mandatory-collective bargaining agreement, mandatory-arbitration provision would essentially strip workers of control over their employment situation. Without a private-ballot election, workers lose control over whether they belong to a union. And with mandatory, binding arbitration, they lose control over the process of

reaching a collective bargaining agreement. Because generally after the union organizers and management agree on a collective bargaining agreement, that agreement is set for a voting by the rank and file.

Now, finally – and that’s not going to occur – now, finally the bill would also levy extensive penalties on employers but not on unions. The right of a worker to a private-ballot election is an intrinsic right in our democracy that should not be negotiated away by either management or labor, nor legislated away at the behest of special interest groups.

As mentioned, this bill was passed by the House of Representatives on March 1, 2007. Action on this bill now moves to the United States Senate. This administration rejects any attempt to deprive the rights of workers, and we will defend a worker’s right to vote yes or no in a private ballot and a worker’s right to fair bargaining. Should the Senate pass this ill-conceived legislation, the administration has announced that the president will veto this bill.

Now, whether it’s through greater access to health care or protecting the rights of workers, this administration will continue to promote strategies that emphasize the empowerment of the individual. And by working together we can continue to ensure that our nation’s economy remains strong and that America remains a beacon of hope and opportunity in the world. Thanks so much.

(Applause.)

MR. KAHN: Thanks a lot, Madam Secretary. So the morning’s done. Thank you for sitting with us, staying with us all morning. It was a great crowd.

Before you leave, let me say chairmen’s dinner tonight, this room, reception at 6:30, we eat at 7:00. And tonight we’ve got the Capitol Steps. With the Democrats coming to town, they own the place; the GOP is licking its wounds. The Capitol Steps are going to have all new material. You’re going to love it. See you tonight. Thanks a lot. We’re adjourned.

(End day two.)