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TESTIMONY OF
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BEFORE THE
COMMITTEE ON HEALTH, EDUCATION, LABOR AND PENSIONS
OF
THE UNITED STATES SENATE

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Testimony of Peter Meade
Executive Vice President
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Mr. Chairman, Senator Enzi and Members of the Committee, I am pleased to be here today on behalf of Blue Cross Blue Shield of Massachusetts to discuss the challenges and opportunities to expand coverage to quality health care for all Americans. I am Peter Meade, Executive Vice President at Blue Cross Blue Shield of Massachusetts.

You have asked two very important questions:

1. What are major challenges facing health care today and best options for expanding coverage to all Americans? And
2. How can Congress help families afford **quality health care** and reduce health care costs without diminishing the **quality of care** provided to patients?

I hope that I can give you some insights as to how Massachusetts approached the first question and also some thoughts on what Congress can do to deal with the very important issue posed by the second.

Background

In a 1932 opinion, U.S. Supreme Court Justice Louis Brandeis wrote, "There must be power in the states and the nation to remold, through experimentation, our practices and institutions to meet changing social and economic needs. It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory and try novel social and economic experiments without risk to the rest of the country."

I am not standing before you today to say that Massachusetts came up with THE answer to solving the uninsured crisis; instead we came up with AN answer that we hope will succeed for Massachusetts.

Blue Cross Blue Shield of Massachusetts is a not-for-profit organization that was founded seventy years ago by a group of community-minded business leaders. Our history – and our future – is one of collaboration with the community to improve the health and quality of care that our members, and citizens of the Commonwealth, receive. As a not-for-profit, we believe that our dividends are to the community. 88% of the premiums we receive are returned through member benefits. Our administrative costs of just over 10%, essentially allow us to break-even in terms of operating margin – which we have been able to do in recent years.

In addition to our corporate philanthropy, we have directed our “community dividends” to important initiatives that expand access to quality health care. The most notable

among these is our Foundation . In 2001, we established the Blue Cross Blue Shield of Massachusetts Foundation as a contemporary expression of our historic commitment to those in need. The Foundation's mission is to expand access to health care. We provided an initial endowment of \$55 million and have continued to contribute to the Foundation, growing its endowment to more than \$90 million today. By the end of this year, the Foundation's endowment is expected to top \$100 million.

Likewise, our \$50 million commitment to the Massachusetts eHealth Collaborative (MAeHC), an initiative to establish a statewide electronic health records system to enhance the quality, efficiency and safety of care in Massachusetts, will make patient information, for those communities selected to pilot the program, available to a physician at the click of a mouse. Our \$3 million commitment to Massachusetts Hospitals and the Institute for Healthcare Improvement (IHI), for programs focusing on issues such as clinical outcomes, patient safety, patient satisfaction, office and hospital redesign, health disparities and, of course, health care access, will also serve to close the quality chasm and improve the health of our members.

For every man, woman and child and the economy that we support, it is vital that we do health care right in Massachusetts. We are an undisputed leader in medical care and research with world-class hospitals, medical schools, research laboratories and life sciences companies. We are fortunate to have first-rate community hospitals and health centers all across the state and also share our marketplace with world-class insurers – including Harvard Pilgrim HealthCare, Tufts Health Plan to Fallon Community Health Plan. We are all among the top ten health plans in the nation according to U.S. News and World Report and the National Committee for Quality Assurance.

When you consider what was at stake for Massachusetts, you can appreciate why instituting comprehensive health reform was a priority and why through the strong leadership of our President and CEO, Cleve Killingsworth, that Blue Cross Blue Shield of Massachusetts was pleased to be part of the process.

Massachusetts Health Care Reform

To understand why Massachusetts seized this historic opportunity, it is important to understand the existing climate in the Commonwealth that allowed health reform to take place. First, we have a relatively low number of uninsured – as compared with other states. Employer coverage in the state is already high (over 65%) as compared to the rest of the nation (56%). Even dental insurance has penetrated the market to a greater degree in Massachusetts (71%) versus the nation (50%). We were spending (or more correctly, misspending) over \$1 billion annually on services for the uninsured and underinsured. We already operate in what some may consider a highly regulated market with requirements such as guaranteed issue and community rating. There was also the looming threat of losing over \$385 million federal dollars if our Medicaid waiver was not renewed. These factors, along with a strong community and political will of leaders across the state created the dynamic that allowed health reform to become a reality.

I would be remiss if I did not acknowledge the efforts of Senator Kennedy, whose leadership was absolutely critical to the ultimate passage of the legislation.

What did Massachusetts do?

Despite the state's best efforts to reduce the number of uninsured, Massachusetts still faced over 550,000 people without health insurance. As of July 1, 2007, all residents of Massachusetts will be required to have health insurance. There are several significant parts of the law:

- the law expands Medicaid eligibility;
- the law offers a subsidy program to help low-income people (up to 300% Federal Poverty Level) purchase health insurance;
- the law puts forth reforms for the non-group and small group markets;
- the law creates an individual mandate enforced by financial penalties; and
- the law requires employers with 11 or more full-time employees to offer health coverage or be subject to a \$295/per employee assessment as well as face being billed for services their uninsured employees receive.

To date, tens of thousands have already signed up for Commonwealth Care (50,000 have been determined to be eligible – 29,000 have signed up).

What can be done at the federal level?

While there is no single answer to solving the nation's uninsured crisis, there are several things that the federal government can do to help families afford quality health care and reduce health care costs without diminishing the quality of care provided to patients.

First, use the federal government's influence as one of the nation's largest payors and providers of health care to improve the quality of care that patients receive. By doing so, we can save lives and money.

Researchers at the Rand Corporation tell us that patients fail to receive recommended care half of the time. More than one in ten are receiving care that is not recommended or downright harmful.

The human cost of these failures is reason enough to act. But their monetary cost is substantial as well. Experts say as many as 30 cents out of every dollar spent on health care in the United States may be wasted.

The Institute of Medicine calls it the "quality chasm" -- the gap between the knowledge we possess and the care we actually deliver. In Massachusetts we call it the excellence imperative -- the gap between our performance and our potential -- our pride at doing well and our enduring aspiration to "do better". As a Company, we already spend several hundred million dollars incenting those individual physicians and institutions that are trying to "do better." While we plan that our 'quality investment' in those who are

moving forward to reduce the misuse, overuse and underuse of health care will significantly increase, we also hope that the federal government will make strides in this direction as well. Health information technology is also an essential component to closing the gap between the quality of care that patients do receive and what they should receive.

Each of us who is privileged to work with health care providers knows that there is no profession more devoted. They already do all they can with the tools they possess. For them to do better, the system itself must change. Health care professionals work hard. Sweeping, systemic change can empower them to work smarter.

The federal government can seek creative ways to: integrate safety and reliability into the basic structure of the health care system; harness technology to eliminate errors; empower doctors to spend more time with patients and patients to make more informed decisions. Together, we can do more to help the people of this great nation live longer and healthier lives.

This goal of delivering high quality, safe and effective health care must engage the entirety of stakeholders -- from living rooms to hospital rooms -- nurses, physicians and pharmacists alike -- policymakers as well as providers -- consumers and, of course, insurers too. Because medical care is only as good as the system that delivers it, we applaud your early efforts in this area, but urge you to do more.

Second, fully fund SCHIP, while protecting and exploring successful expansions of Medicaid. Medicaid and SCHIP have been enormously successful in providing high quality, accessible health care for the most vulnerable among us, our nation's children. With fewer employers offering coverage nationally, SCHIP and Medicaid remain critical to ensuring children are able to maintain access to vital healthcare coverage. While Massachusetts and New England have a long tradition of covering our children, we are vulnerable to any action or inaction by the federal government to live up to its shared responsibility. Reauthorization of SCHIP and Medicaid appropriations will be before this Committee and the full Congress this year. The message on SCHIP and Medicaid is simple. Pay now or pay much more later. The stakes are high, our children's physical and mental health is at stake (New England Alliance for Children's Health).

Third, consider the help you can give to states as they implement their own health reform efforts. Whether in the form of providing for reinsurance in recognition of the fact that the top 20% of patients use more than 80% of the resources, or funding for programs that help states subsidize health insurance, the federal government can certainly play an important role in solving the nation's uninsured crisis.

Fourth, do no harm. In our estimation, this means not advancing legislation that would undermine the efforts of states, like Massachusetts, that are trying to decrease costs, increase quality and improve access to health care. While well-intentioned, Association Health Plans (AHPs) or legislation that fundamentally disrupts or destabilizes the health insurance market is not the answer.

On behalf of my colleagues at Blue Cross Blue Shield of Massachusetts, we look forward to working with the HELP Committee as it addresses the important issues of improving access to quality health care. Thank you again for the opportunity to testify. I look forward to any questions you may have.