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**Health Care Reform Newsmaker Series:  
Sen. Max Baucus  
Kaiser Family Foundation, Families USA and the  
National Federation of Independent Business  
May 21, 2009**

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**MALE SPEAKER:** Good morning everybody.

Welcome back and good to see you all again. Welcome to Chairman Baucus, the sequel. You wouldn't know any of this, but I actually checked and it turns out the most popular box office sequels of all time are "Terminator 2," "The Dark Knight," and that very famous health policy documentary "The Godfather 2." So, we are expecting an equally popular sequel this morning and I can tell that it will be.

I'm very pleased, we are all pleased, to have Senator Baucus back with us today and I would say that the fact that he is back this morning is certainly tangible evidence that health reform continues to move forward thanks in no small part to his commitment to the issue and to his leadership. And I think it's also a, I would say it's a perfect time, we're very lucky to have him back with us today because the entire health reform debate is about to enter a very new and critical

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phase when there is legislation on the table with details about how health reform will actually work, and most especially how it will be financed, which we all know is a very big challenge.

So, we have a little less time than we normally do this morning and I imagine the folks told you that, so I'm not going to say as much as I normally do. But let me just ask Dan and then Ron if they want to make a couple of remarks. We will turn it over to the senator. The usual rules today, we have a lot of journalists on the phone but the journalists in the room will ask the questions and the mics will go around, and when they do just please identify yourselves as you always do. We've been doing this together now many, many mornings so you know this works.

**DAN DANNER:** Sure. In keeping with the time limits we have this morning, just welcome the senator back, join the list that are very appreciative of all

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that he's doing in this debate and look forward to continuing to work together.

**RON POLLACK:** Hi. I'm Ron Pollack, executive director of Families USA, one quick advertisement. Next Thursday we will be releasing at the National Press Club a report "The Hidden Health Tax" that looks at what the costs are for people who are insured in terms of added premiums to pay for the uncompensated health care costs of the uninsured and no doubt, this will be significant in the discussion in health care reform.

So, I want to add my delight at seeing Senator Baucus again. He doesn't really need an introduction other than to say when health care reform passes, there is going to be no member of Congress who will have contributed more and played such a positive role as the chairman of the Senate Finance Committee, Senator Max Baucus, so we are delighted to have you here again.

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**SEN. MAX BAUCUS, (D-MT):** Well, thank you Ron very much. It's great to be here, frankly to discuss a cause that has become my calling. I've never spent so much time on any subject since I've been in the Senate, about 30 years, as this. I've never attempted anything more challenging or difficult; but have never attempted anything with such relish and such excitement, too. This is fun stuff because it's the right thing to do. It's intellectually challenging. It's going to have a real positive impact on the American people and on the country.

I have some prepared remarks but I'm not going to read them, just touch on some of the points. Number one, when I was here last, I said that because I believe it very strongly, that the best approach to get significant health reform passed is to make sure and to say constantly and continually remind everyone that we're all in this together, that we need an American

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solution, because health touches all of us in our country.

Second, everything is on the table, everything. All proposals, all ideas that groups may have are on the table and they are going to stay on the table. We are going to discuss them. If anyone finds something on the table that he or she has a negative reaction to, I say suspend judgement, hold off judgement, suspend judgement at least for 15 minutes, try to see if there's a way to get to "yes." Think about it. There might be a positive angle here.

In addition, because this is so big and so complex there will be a lot of tradeoffs. What one group might find difficult here, that same group can find something positive over there. This is just so large.

In addition, totally inclusive, totally inclusive. Working with Senator Grassley in the finance committee, all members of the committee,

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Republicans, Democrats, and with the HELP committee, lots of joint meetings, same with the House. I meet with them, lock-in meetings with the house members, key house members, with the White House, lock-in meetings with them, most recently with Nancy DeParle, but also talked to others in the White House, and our staffs have also been meeting even more frequently.

We, in the finance committee, have had umpteen hours of meetings on health care reform. We divide the subject in three areas, delivery system reform, second is coverage so Americans get insurance, and third financing, how to pay for it. We had a different process, something we've never done before, in each of the three we first had, we call them roundtables, we invite experts to come and talk to us, talk to the members of the committee, full committee. We ask questions of them, and the whole tone and mood of this is how do we do it? And it is to educate members of the committee, educate myself, because this is fairly

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complicated. We all have a fairly steep learning curve here and we have to spend a lot of time figuring all this out.

Next subject, we called something a walk through, maybe a mark-up, what a bill might look like on that subject. Then another roundtable on the second subject, coverage, same thing with the experts, and a walk through, and then third, financing roundtable, experts and walk through, we had a walk through just yesterday.

I am very heartened; I am really excited about this basically because in all these meetings, senators are not posturing. They are not grand standing. They are clearly trying to dig down and find the right thing to do here. I'm a firm believer in John Milton's marketplace of ideas, if you just keep looking, keep trying, you're going to find the truth. I don't know what the truth is in health care reform, but we're certainly going to find a better way than we otherwise

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would to pursue this in the same way and we are getting very close.

Last year, I had ten hearings in the finance committee on health care reform. I knew we would be here in '09 dealing with health care reform. The point of those hearings was to educate all of us on the committee and so I do believe in the comprehensive nature of this and the inclusion of virtually anyone who has an interest, lots of meetings with outside groups, lots of on the phone, a couple three times a day with groups, consumer groups, with labor, with industry groups, and finding out gee what do you think about this, what do you think about that, and just trying to put the pieces together in a way that it gets costs down, that bends the growth of the cost curve.

We Americans clearly have to reduce the rate of increase in health care costs in this country. A large focus is on that. We clearly have to make sure this is budget neutral, a large focus on that. We

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clearly have to change our reimbursement system, align payment much more with quality as opposed to quantity and volume, and so a lot of time figuring how to do that. We clearly need to cover as many Americans as we possibly can. We are not going to get 100-percent coverage but we can try to get as close as we can and we are working hard to accomplish that.

We also are pursuing what I call the uniquely American solution. We spend 2.5 trillion dollars a year in health care in America. That is roughly 50/50 public private. We are not some other country. We're America. We are not Canada. We are not Great Britain. We are not Switzerland. We are not Japan. We are America and in America it's a little bit "go west, young man."

It's an emphasis on creativity and entrepreneurship and that's what brings new ideas and how to do things better and so on, and so we are going to come up with a uniquely American solution, which is

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also going to be public-private, not too far one side, not too far the other. We need balance here.

We are making it very clear, too, this is very, very important that when we finish, anyone will be able to keep his or her own health insurance. If you like what you have, you can keep it. Nobody is telling you what you have to get or not get, whether you have to drop anything. If you like what you have, you keep it.

Second, you can choose your own physicians and we are not saying who you choose or not choose, choose your own physician. Then making it easier for a person to get health insurance, because we will simplify the process and after that, reform the health insurance industry because we all know the individual market and the small group market there's gross discrimination.

Denial based on pre-existing condition, now based on health care status, and the rating, bans if you can call it that, in some states are just so wide,

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like 50 to 1 in some states, it just doesn't make any sense. So we are going to get rid of all that discrimination, dramatically narrow the rating bands through companies who want to participate in this exchange.

The exchange is an opportunity by itself, it's not a government thing, it just heeds by itself so it's free choice, keep what you have, it's a mix of public and private, it's increased coverage with a very great focus on quality. For me the most exciting part about all of this, there's lots of exciting, probably one of the more exciting is delivery system reform really with evidence based medicine and focusing on quality, reimbursing on the basis of quality, not quantity and volume, and comparative effectiveness, and bundling and health IT and all these things.

We are going to have incentives so physicians are going to love practicing medicine even more than they do today because they will be focusing more on

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quality than they will on all this paperwork stuff because of the assistance based on quantity and volume.

And I see Dan sitting here too, a major emphasis here on small business. Small business is huge, big part of this discussion here and we are focusing a lot on trying to make sure that small business people can do what they want to do and that is provide health insurance for their employees, so let me just stop there and say we are moving, we are on target. We planned some time ago that our markup would be mid-June, it's going to be mid-June. We have not let anything slip because we know we can't. It's a lot of work for all of us, but we have got to get it done, and we will.

**DREW ALTMAN:** Thank you Senator for coming back and for sticking with us and for those remarks. We are going to do this a little differently today so friendly agents are going to circulate through the room

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and they will call on you and just please remember to identify yourselves when you get the mic.

**DONNA SMITH:** I'm Donna Smith with Reuters. Now that you've done your walk throughs and you've talked with senators on the more contentious issues of a public plan and the financing, what odds are you giving for achieving the bipartisan agreement that you had hoped to achieve?

**SEN. MAX BAUCUS, (D-MT):** Very high, very, very high. If you want me to put a percentage on it, I'd say it's about 75, about 80-percent, 75 to 80-percent positive. It's very high. I've been meeting with a lot of Republicans who really want to vote for something that passes. They know what it's the right thing to do and the real hero for me is Senator Chuck Grassley.

He is hanging in there. He is working hard. He knows it is the right thing to do and he's getting a lot of pressure from different folks, you can guess who

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it might be, but he and I work very closely together, have for eight years. I started this eight years ago that we meet every week, 5:00 Tuesdays, for about an hour, hour and a half just to go over whatever it is we need to go over, and lately it's been health care reform.

And his staff and my staff have just been really close and we're listening to all the groups, different parts of the spectrum, both republicans and democrats, and heck, nothing ventured, nothing gained, but still keeping to our principles of coverage and high quality health insurance reform, and just doing what's right.

**JOHN REICHARD:** It's John Reichard with *C.Q. Health Beat*, I was wondering, I understood you to say, senator, that you don't expect to get to universal coverage, that you're going to get as close as you possibly can, is that correct? And then if so, what does that mean in terms of the ability to keep health

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insurance, the industry at the table? You know, they are saying an individual mandate is necessary for guaranteed issue and rating reform, but do those things then go away?

**SEN. MAX BAUCUS, (D-MT):** Oh not at all, in fact they are very much there and you are correct in your implication that a key to this is everyone having health insurance because it's very, very hard to accomplish our objectives without everybody having health insurance. The primary A objective is everybody should have health insurance, that's a good objective in and of itself.

Without that, then groups fall out, then it's much more difficult to accomplish delivery system reform, because we want the public and private health providers to be basically working together on delivery system reform. And a way to get at that is to work with CMS, direct CMS to work with the private sector, to develop metrics, quality metrics, so that CMS,

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Medicare and other providers are kind of working off the same page.

And I say we won't get full universal coverage, CBO tells us we'll get up to 90, I get different figures, 94 to 96-percent, there are always going to be some people that you can't find them, you know, they just don't get health insurance and you can never attain perfection, but it's going to be good. I think 94 to 96 is pretty good.

There will be undocumented aliens, for example. We're not going to cover undocumented workers, because that's too politically explosive. But the main point that you want to make, the main point that you are making is that we will get universal coverage, I like that word. Nearly everybody's going to have health insurance.

**CRAIG PALMER:** Senator, Craig Palmer, ADA News. It's a pretty big table with everything on the table, but to get there, something's going to have to be

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removed from the table. When do we start that process, and has anything been removed from the table? And how are we going to do that, how are you going to pare this down to something that will work?

**SEN. MAX BAUCUS, (D-MT):** Well, I think everything is going to stay on the table, but big portions will be modified and sculpted, so that it's still on the table, but it's maybe a little bit different form or version that some might want on one side and might want on the other. What examples? Public option. You know, that's a hot button, and I do suspect a version will be there, but by saying that, I don't want to frighten people, particularly on the industry side, saying, uh-oh, there they go, Baucus just said public option and the deal's off.

All I'm saying is, there are ways to skin a cat. There are ways to find solutions, there are ways to, I think, to do this ultimately in a way that's acceptable. I'm not going to tip my hand here exactly

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to what I think that solution might be, but I do think there's a way, and I have an idea of a way, and various groups have told me that this is a way that might solve that part of it.

One of the other things, coverage, everybody having health insurance is on the table, everybody agrees that every individual in America, it's a shared responsibility, should get health insurance, that's agreed to. I haven't talked to anybody who doesn't agree with that. Same thing with health insurance reform, there isn't anybody who disagrees with that, in the kind of ways that we're talking about it, too. We agree. In the pay-fors, they're starting to get a bit of coalescence too.

**JEFF YOUNG:** Senator Baucus, you talked about 75 to 80-percent chance you said of getting Republicans, and how you've talked to a lot of Republicans who want to see a bill pass. Sorry, I'm over here, Jeff Young from with *The Hill*. Are you

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taking for granted that Democrats in the Senate are going to vote for the bill that comes out of your committee, or what concerns do you have about keeping all of those people on board? Since some members of your own party have some pretty strong ideas about what the right ways to move forward on this or they may not necessarily align with the package that you've put together in the committee.

**SEN. MAX BAUCUS, (D-MT):** Well, it's early. I tend to think, that at the end of day, every Democrat will agree. And I think a good number of Republicans will agree. Because they know the goal here, and I don't want to mislead anybody, as I said earlier, the goal here is everybody has health insurance.

And I was earlier asked, will everybody have coverage, and the answer is, the goal is for everybody to have coverage. But by definition, there are going to be a few that are going to slip through the cracks. But the goal is for everybody to have coverage, so that

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the people you might be referring to, are wondering how do we do that, maybe they have a special way of doing it, or so on so forth.

But, what's happening in all this, it almost always happens, if you're operating on good faith, if people are operating in good faith, talking, more and more discussions, and just keeping at it, people tend to find agreement. And everyone is operating in good faith. I certainly am, and all the Senators are too. There are maybe two or three who want to kind of blow it up. But, 98-percent are operating under good faith; this is something really new for America, so it's a little bit different.

As I said, there's a learning curve here for all of us. And the more we just keep working at it, I'm very confident that every Democrat is going to be voting for this. There are other dynamics here. This is the President's number one domestic priority, healthcare reform. And he's a player. We should

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remember that, this is President Obama's number one domestic priority, healthcare reform and he's going to want to make sure that health reform passes, so it's up to us to pass it, in a very strong, solid responsible way.

**NOAM LEVEY:** Senator Baucus, this is Noam Levey with the *Los Angeles Times*. Can you talk a little bit about how much of the insurance market reform has to be specifically articulated in legislation, as opposed to what can be devised by some subsequent body created in legislation or left to the federal government to devise somewhere else?

**SEN. MAX BAUCUS, (D-MT):** Well, obviously it's a combination, I think you'll find a sort of a minimum benefits package in statute. You'll find, guarantee issue or it's statute, you'll find denial, with prohibition on, all based on preexisting condition healthcare status in the statute, will exchange will be there and conditions for selling insurance on the

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exchange and buying insurance on the exchange will be helpful and rating reforms in the legislation.

States will still be able to make a lot of decisions, perhaps, but there will be significant measures left to states, but still in a way where Americans will know, that in whatever state they live, that they're going to get quality, they're getting affordable, and access to affordable, quality healthcare.

And that's very important, because many people like the health insurance they have with their company. If you want to move to a different part of the country, but take a different job someplace, one of the impediments is health insurance. And the goal here is, that's not an impediment, when all is said and done, because anybody can buy health insurance, and again, has access to health insurance that's affordable and is high quality, so job lock is much less of an issue.

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And you have to have some national provisions to accomplish that objective, it seems to me.

**RICARDO ALONSO ZALDIVAR:** Senator, Ricardo Alonso-Zaldivar with the Associated Press. Just to follow up on John's earlier question about universal coverage, how quickly will you get to that 94, 95-percent under your bill and then what happens when you have somebody who is not covered and they show up at the emergency room?

**SEN. MAX BAUCUS, (D-MT):** Well, we haven't drilled down enough yet to know the timing and phasing-in is. We haven't answered those questions yet. Clearly, a lot of this has to be phased in, and if someone does not have health insurance, that person going to go probably, when he or she needs healthcare, go to the emergency room. But there will be fewer people who go without health insurance.

And if they health insurance, they're more likely to see their doctor earlier and not have to go

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to the emergency room, but they'll be a few, by definition, somebody's not going to have health insurance, who is going to need healthcare, as you know the medical profession has a Hippocratic Oath, it's their responsibility to take care of people, and that's the right thing to do.

**RICARDO ALONSO ZALDIVAR:** Did they get enrolled [inaudible].

**SEN. MAX BAUCUS, (D-MT):** Oh, that's a good point. We are going to have different points where people are automatically enrolled, and that could well be one of the points. That's right.

**CARRIE BUDOFF BROWN:** Senator Baucus, Carrie Budoff Brown from *Politico*. You hinted at there being a version of the public plan that might be acceptable and I'm wondering if that is the fallback plan that's designed after Medicare or if it's some proposal that would be considered more to the left of that plan?

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**SEN. MAX BAUCUS, (D-MT):** Fallback's on the table.

**CARRIE BUDOFF BROWN:** Is it the one that you hinted would be the version that could be a compromise.

**SEN. MAX BAUCUS, (D-MT):** It's on the table.

**CARRIE BUDOFF BROWN:** Is it gaining favor?

**SEN. MAX BAUCUS, (D-MT):** It's still on the table. [Laughter]

**JULIE ROVNER:** Senator Baucus, Julie Rovner from National Public Radio. You say repeatedly that everything is on the table, but the supporters of single-payer healthcare point out their plan is not on the table.

**SEN. MAX BAUCUS, (D-MT):** That's true, they do. They make that very clear.

**JULIE ROVNER:** So what do you say to them as they point out that they have significant support and yet their plan is the one thing that is not on the table at the moment.

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**SEN. MAX BAUCUS, (D-MT):** Well, just to be honest, it's not on the table. It's the only thing that's not, because it cannot pass. It just cannot pass. I don't know there are two or three members of Congress who privately, honestly will tell you that it can pass. I don't know any member of Congress who could privately, honestly tell you that it could pass. It just can't pass. Not today.

We're dealing with today, we're dealing with 2009. We can't squander this opportunity, we can't spend, we can't waste capital on something that's just impossible. We can reach a very, very good result, a very, very good result, where the cost, the rate of increase in healthcare cost is dramatically coming down, that is huge. We all know the statistics, we spend twice as much per capita as the next most expensive country and we're not twice as healthy.

Most international indicators have us at about 17<sup>th</sup>, 18<sup>th</sup>, in the world, not first, second, third,

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fourth or fifth. And second, everybody's going to have health insurance. That's not a bad result. And third, they'll have quality health insurance, that's not a bad result, and accessible to affordable, quality health insurance.

And we're going to change the reimbursement system slowly, so we're focusing on quality. That's not a bad result. You know, in these single-payer systems, the focus is not so much on quality as you'd like to think that it is. It's not.

In fact, the Netherlands, the health officials in the Netherlands were over talking to us just a couple weeks ago, they're looking all around the world at different healthcare systems, trying to decide what they want to do. And one thing they like about our approach here is delivery system reform.

Massachusetts didn't have it, doesn't have it, but they enacted theirs. and other countries have it and they're finding, hey, you Americans, you're at the

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curve here, there's something new and different and kind of exciting here. So that's not bad either.

So the result will be a very, very good for America, so I'm trying to focus on a soft, practical pragmatic solution, no ideology here, just make sure that Americans are covered, focus on quality in insurance market reform. Small business gets health insurance too, just like the employees, just like big business and I think it's going to turn out very well.

**JIM LANDERS:** Senator Baucus, I'm Jim Landers of the Dallas Morning News. I wanted to ask you, who do you think should compensate the hospitals for the treatment of undocumented workers, illegal aliens and is that going to be part of the legislation?

**SEN. MAX BAUCUS, (D-MT):** Well, that's a tough one. Like Ron has and his group and many groups have documented, the tax that people pay today, that is people who are insured today, pay today because of uncompensated care. And it's high, there are all kinds

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of numbers. I tried to pin CBO down on this a few days ago and the number I got was \$35 billion a year, so roughly, over 10, it's can't be \$350 billion, but I know Ron thinks, it's high.

It's in the hundreds of billions of dollars of uncompensated care, and the translation that I saw, it's \$1,100 per year, you hear all kinds of figures. At the low end I've seen is \$1,100, at the high end I've seen, in Montana, because we have more uncompensated care, was \$1,400 a year in additional premiums that people pay in their health insurance policy because of uncompensated care. Now, the goal here is to reduce that, clearly, to reduce that down as much as possible. Now the hospitals are still going to have charity care.

So just because uncompensated is 100 in health insurance, doesn't mean that all the incomes, all the uncompensated care bills will be gone.

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Hospitals will still have charity care, they'll be helping people in the communities, and I don't have a good answer yet to undocumented aliens, workers [inaudible] can probably be charity care. And as I stated earlier, the point for them is to get them into the system. But I don't know, if they're undocumented, that's going to be difficult. That's very politically charged. And I don't want to take on something that's going to sidetrack us.

**MARY AGNES CAREY:** Mary Agnes Carey, *Kaiser Health News*. You've talked about shared responsibility in individuals, where do employers fit in, are you going to have an employer mandate, will you exempt small business?

**SEN. MAX BAUCUS, (D-MT):** Yes. Well I think, as I said, everybody should be included. We need an American solution where all of America participates. It's employees and employers. There should be incentives for employers to participate too. You put

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your finger on the more difficult part of it and that's small business and Dan here can help us out with that, but we're very sensitive of that.

With financial assistance, with exemptions and different levels of penalties, to find a way so that the employer can do what he or she wants to do and that's provide health insurance for employees. I do think small business, most businesses should participate, there may be some exemptions at the low end.

I'll make it clear, we have not decided that, we have not decided that issue. We're very, very sensitive to that issue, very sensitive to it, it comes up quite frequently. It comes up in our round tables and our walk-throughs on coverage and also on financing. In fact we're going to be meeting, I think Dan's part of this, I think it's this week or next, because this is such a question with concerned Senators.

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For example, Senator Snowe and Senator Durbin have something called the SHOP Bill, addressing small business concerns, we're going to sit down with all those folks and figure out how we can include that in reform. But, we're not going to put pieces of bills in our bill; we're just going to have overall reform but addressing the issues that that SHOP Bill addresses.

**MARY HOUGHTON:** Hi, Mary Houghton with *The Gray Sheet*. What do you see as the biggest, most promising ways of bring down the rate of spending growth, and can you be as specific as possible?

**SEN. MAX BAUCUS, (D-MT):** I think ultimately it's going to be reimbursement. Where there's over utilization in this country, in many parts of the country, but it's very mixed. Practice patterns vary dramatically in this country, amazingly. We're all familiar with the Dartmouth Study.

And that Dartmouth Study demonstrated several years ago, and all subsequent studies have corroborated

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it, that in some parts of the country, they tend to be northern high-plain states, healthcare expenditures are much lower than in other parts of the country. And yet the outcomes are much better, than they are in those other parts of the country with higher rates of spending.

It's because of over-utilization in those higher spending parts of the country. Why is there over-utilization? Because we have a system in America which incents over-utilization. We pay according to volume. No criticism here, but, you know, if I'm a physician and a hospital, the greater the volume, the more I get paid. I'm providing healthcare, it's in volume.

And if more we focus on quality, reimbursed on the basis of quality, not on volume, all the experts say, and intuitively it makes sense to me, that we'll get to the point, it will take time, we'll start to "bend" the growth curve. I'm fond of repeating what

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healthcare economist Uwe Reinhardt mentioned before our committee about a year ago, he's a healthcare economist, Princeton, looked at three different hospitals in New Jersey and asked them, what do you spend in the last six months of life at your hospital on your patients? And he found a variance of about three to one.

Why in the world does one hospital spend three times on the same thing that another hospital spends? Call them up and asked them. Answer? That's the way we do it. Practice patterns. It's all over this country, there are just practice patterns are so different, that's kind of the way we do it here. People talk about colonoscopy expenses and the variations are incredible.

Secretary Leavitt surveyed Utah a couple years ago, he couldn't believe variation in cost for the same procedure, it's just nuts. So there's a lot of waste in this system, a lot of waste. CBO documented it to

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be about 29-percent. If you take 29-percent of \$2.5 trillion, you're up there about \$700-\$800 billion of waste in America.

Again, if all America practiced medicine the way the low costs states do, where the outcomes are better, now that's a very crude analysis, obviously, they would pick up about \$700 billion, \$800 billion dollars and the outcomes would be better. So one is delivery system reform and all that we're doing there, comparative effectiveness and so forth, and so doctors are practicing evidence-based medicine and getting the very best evidence to know what works and focusing on quality and getting reimbursed based on quality, not quantity, not number of procedures, and so on and so forth. That's one.

The second way to bend the cost curve is there are some provider expenses, provider reimbursements that can be, according to MedPAC, it should be trimmed a little bit. And we're going to get that done, and

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that's going to help quite a bit. Then a tough one is what to do about the employer provided exclusion and should there be a cap on benefits or not. Should there be a cap on income or not?

This is volatile, but it's again, it's one of those subjects, the more you look at it, study it, we're going to figure out what makes sense. Now I'm not endorsing it at this point, but it is probably analytically true, that if, say, benefits, don't forget, right now as you know under current law, if you work for a company, all of your healthcare benefits are free. All free and it's a deduction to the company, and there's no limit.

You can have the Cadillac, Ferrari, Lamborghini healthcare system and it's all free if that's what your company has for you. And many experts say that's regressive, because the higher your income the greater the benefit. The lower your income, the less the benefit. Many healthcare analysts say that

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also encourages over-utilization, it includes extra healthcare coverage for procedures you really don't have to have. And so one way to "bend" the cost curve is to say, okay, some cap there makes sense, everything under it is still tax free, but go over it and you've got to pay taxes on it.

Now that will bend the cost curve, bend the growth curve, a little bit. And there are other things you can do to bend the growth curve a little bit, too, but these are the kinds of discussions we're having. What to do about that. Now you, clearly, some people are very opposed to that, and some like it a lot, but it's on the table, among other revenue raisers. Because we got to pay for this, I mentioned earlier that it's going to be public private, everything's about 50-50 here, and I said it's going to be budget neutral.

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So this going to be roughly, we're going to pay for it, roughly 50-percent [inaudible]. It'll be a balanced way, we'll pay for it in a very balanced way.

**DREW ALTMAN:** We got to the financing, I promised the Senator that we'd end by 8:45 so he can get back to, how should I put it, smoothing out variations in the Congress. So we'll take one more question and then offer you the opportunity to make whatever comment that you want and we'll be done.

**STEPHEN LANGEL:** Stephen Langel from *Roll Call*. I was just wondering, it seems as if you're saying that there are a number of provisions that will be in this bill in one form or another, a public option, some sort of a mandate and so forth, but you have to find out how to pare it down, narrow it down it down and such. What steps do you need to take during the recess, what information do you need to get to narrow these options down so that you have more of a defined list afterward?

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**SEN. MAX BAUCUS, (D-MT):** Well a lot of it is getting more numbers from CBO. We have a lot of numbers, it's just difficult for CBO, it's a whole new area, there's not a lot of data and, so over the recess our staffs will be getting many more numbers, so we can figure out how the pieces of this puzzle better fit together. It's all judgment, how much we spend, how we're going to pay for it and there are just lots of different pieces to all this and that's a large part right there.

Second, I've really pushed senators to almost empower their staffs to make decisions. Often staffs are properly quite conservative, they protect their members, they don't make major decisions. And that's clearly, up to the senators to make the decisions, but I urge Senators to, let's clear out some of the underbrush here. Let's get as much agreed to as possible and that's on the committee. And it's with the HELP Committee, we've spent a lot of time with the

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HELP Committee staff and members so that should we end up in June, we're marking up mid-June, I think they're going to mark up mid-June.

And I do think, this is very interesting, and I think it's a result of the inclusive nature of this process, how I suspect that the two committee bills will not be that dissimilar. We have jurisdiction over it, we've got to pay for it, we've got to raise the money, really the committee does. And we'll be there for probably the lion's share of the jurisdiction.

But HELP is extremely important, working with them, not doing anything that's in their jurisdiction, but I think the two bills will be fairly similar at the end. So it should not be very difficult to merge the two into one bill, the one bill on the floor. And I think they will not be that dissimilar because of the inclusive nature of this process, and because Senators know that now is the time.

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And if we don't do it now, we're going to rue the day we didn't do this and get this passed. I didn't give the number, but we all know that if we don't do this, in seven to eight years half of American's income will be spent on health insurance, because the cost is going up at such a rapid rate.

If we don't pass this, in about seven, eight, nine years, we're going to spend not \$2.5 trillion, but \$4.5 trillion dollars in healthcare in America. If we don't pass this, the Medicare trust fund is going to be in even greater jeopardy than it is today. If we don't pass this, it's going to be harder to get our deficits and debt down.

If we don't pass this, American business will be much less competitive than it is today. It's competitive today, but look at auto companies, their legacy costs are just so high compared to Toyota and so forth. The bills are fairly close, will be fairly close, because we know we have to do this and because

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the process has been very inclusive and because, you know the first point, it's very inclusive and if we're going to keep working at it, everybody has good faith, everyone is in good faith, we kind of know where we should end up.

**DREW ALTMAN:** Senator, any additional comments, or are you all set?

**SEN. MAX BAUCUS, (D-MT):** I'm having the time of my life. This is a lot of fun. It probably adds a new meaning to probably masochism, but this is a great opportunity.

**DREW ALTMAN:** Alright. Well, thank you all for coming -

[END RECORDING]

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