

05.15.12 Greater Boston Chamber of Commerce

Governor Deval L. Patrick

Greater Boston Chamber of Commerce - As Delivered

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Thank you very, very much, Bob, for your leadership and for the warm introduction. Paul, to you and all of the team here at the Greater Boston Chamber, and ladies and gentlemen, thank you all for coming out this morning. I want to especially acknowledge the members of my cabinet and my team who are here. Two of whom, I should just say, are among the chamber's ten outstanding young leaders. Kate Cook is here, being outstanding in the back, and Secretary Richard Davey is here as well. Thank you both. Very proud of you guys. I think our whole team would qualify on a list of outstanding leaders, not all of them on a list of young outstanding leaders, but, so be it.

As I think about the last couple of times we have been together at a Chamber breakfast, I realize I seem to come here and talk about health care. It makes some sense to do so in this company. Health care reform is one of the most important public-private accomplishments in the history of the Commonwealth. Many of you helped create it, and now help sustain it, and all of you deal with the challenge of rising premium costs. So you will understand if I return to the subject again this morning, especially given the developments of the past two weeks – and the past two years, for that matter.

We have a lot to be proud of when it comes to health care reform. We started with the belief that health is a public good and that everyone, everyone deserves access to affordable, quality care. That, for us, is a basic value, an expression of the kind of Commonwealth we want to live in, meaningful enough to motivate a broad coalition of legislators, and business leaders and labor leaders and patient advocates and policy makers in 2006 to reform the way we access health care.

And that reform is working. I just want to review some of the facts:

Almost everyone has access to health insurance. 98.2 percent of our total population is insured. 99.8 percent of children. No other state in America can touch that. You should be proud of that. While the national trend between 2006 to 2010 was going in the other direction, we increased the number of people insured in Massachusetts by more than 400,000 people.

Over 90 percent of our residents have a primary care physician, and four out of five have seen their

physician in the last 12 months.

More businesses offer health insurance to their employees today than before our reforms took effect, some 78 percent of Massachusetts businesses as compared to the national average of about 69 percent.

We are healthier, too. Preventive care is up: more people are receiving cancer screenings, more women are getting pre-natal care, visits to emergency rooms have decreased. 150,000 people stopped smoking once we expanded coverage for smoking cessation programs. A recent study by the National Bureau of Economic Research documents improvements in physical health, mental health, functional limitations, and joint disorders as a result of increased access to care. Women, minorities and low-income people have experienced the biggest health improvements.

Expanding coverage added just over one percent to net state spending – meaning that the expansion of coverage has not busted the budget.

And it's popular. Nearly two-thirds of Massachusetts residents support our reforms.

Health care reform is working in Massachusetts. It's especially important to acknowledge that truth since we see a lot of misrepresentation about this on the national political scene these days.

Our approach favors the purchase of insurance through the private market with public subsidies for those unable to pay. But health care and health insurance remain costly, not just in overall terms but when compared to everything else. Nationally, spending on health care increased 6.5 percent annually in the last ten years, while real incomes fell in the period by more than seven percent over that period. In Massachusetts, per capita health care spending has grown almost three times as fast as median family income in that time. This problem predates and is unrelated to health care reform. And it is unsustainable.

It's also unnecessary. Experts estimate that as much as 20 to 30 percent of current health care spending is wasted on overtreatment, avoidable hospital readmissions, preventable errors, unnecessary administration and things like that. All in, spending on health care is \$67 billion every year here in Massachusetts; so, that means you and I spend somewhere between \$13 and \$20 billion that we do not have to every single year. The unhealthy choices we make in our own lives also add to cost. And we all pay for it -- with or without a system of universal access. A lot of good work has gone into identifying and addressing these issues over the years. There is clearly more to do.

Instead of just complaining about rapid premium or cost growth, we have started to do something about it. When I say "we," I mean we, all of us: government, insurers, the medical industry, business groups, doctors and other health professionals, patient advocates. Everyone has acknowledged the problem and

everyone has worked on a part of the solution. And it's working. We are certainly bending the cost curve here in the Commonwealth.

Small businesses and working families have saved over \$600 hundred million since 2010 as average increases in health insurance rates have dropped from about 16 percent on average to less than one percent today.

Providers and insurers have reopened contracts and reduced preset increases, cutting millions out of future cost growth.

The Coordinated Care Model at Tufts Health Plan and the Alternative Quality Contract at Blue Cross Blue Shield are new ways to encourage better and more cost effective care.

The intensive care-management program at Mass General that I highlighted here just last year has since been adopted by the Brigham, Faulkner Hospital and North Shore Medical Center.

Fallon and Steward came together with the Retailer's Association and created a small business purchasing cooperative to offer significantly lower cost options for small retailers across the state.

Sturdy Hospital has had all of its primary care practices certified as Level 3 Patient Centered Medical Homes. SouthCoast Health Systems has used lean management techniques to find \$20 million in operational efficiencies and waste reduction.

Of the 32 newly created so-called Pioneer ACO's in the United States – organizations pioneering cost-saving partnerships with the federal government – five of them are here in the Commonwealth. One other state has more, and that's six in California.

State government is modeling the move toward more efficient models of care. As a result, the Connector has reduced premiums in the past two years by 10 percent. Nearly a third of employees insured through the Group Insurance Commission opted for limited network plans, saving themselves and the state more than \$30 million. Through these and other moves we shaved nearly a billion dollars off of the projected growth in health care costs in the current fiscal year. We are projected to shave another \$700 million off next year's growth as well.

The point is that, in the past two years, a lot of very promising activity has been undertaken here in the Commonwealth. And that's very good news. The recession has played a part in some of it, there's no doubt about it. But most health care economists agree there is more to it than that. That's especially clear when you consider that most of the results I just cited measure from 2010 to the present. In other words, the results occurred not during the depth of the recession but during the time when we got serious about confronting this challenge together.

Since that time, as I am often assured, the market has been moving in the right direction. And that's true. But the market didn't start moving all on its own. Government took action. We started pushing back against insurance increases, yes, but we also worked hand-in-hand with insurers and businesses to create limited network plans and small business co-ops, and are working today with hospitals, community health centers, doctors and other providers to pilot patient-centered medical homes.

The fact is, we have seen progress because both the private sector and government are working at it. And that is critical to keep in mind.

I am a capitalist. I think I have told you that before, but let me remind you. I respect the opportunity of people to create jobs and wealth, and have spent most of my working life in the private sector. I can't imagine a world without the freedom of people to develop and test competing ideas. But I am not a market-fundamentalist. I don't believe the market always gets everything just right, at just the right time. And the health care industry is most certainly not a perfectly rational market. Consumers don't always know what they are buying, how much it actually costs, or what the intrinsic value or outcome will be. People just don't choose a surgeon the way they do soap. For the sellers in the market there are huge barriers to entry. Most of the major players are not-for-profits. And the product sold or resource allocated by this market is often not optional.

So, the question is not whether there is a role for government. The question is what is the proper role for government. Just as the public and private sectors came together to solve the challenge of health care access, we are going to find a solution together to containing health care costs. We have already shown we can. Now, we have to figure out how to sustain that progress for the next decade or more.

There's more than one way to "skin a cat," as they say, especially when it comes to public policy. I made a proposal last year. The House and Senate are preparing to debate their own approaches now. While I don't agree with everything in either bill, there is a lot to like in each of them. The Speaker and Chairman Walsh, the Senate President and Chairman Moore, and everyone else who played a role in crafting these bills, deserve to be recognized for the good and serious work they have done.

As they and we work together over the next few weeks, there are a few core principles that I expect to see reflected in a final bill. They are (1) a cost containment goal, (2) flexibility in how to achieve it, (3) accountability for failing to do so, and (4) sensible tort reform.

First, the goal. The House and the Senate bills set goals for total health care expenditures as a proportion of Gross State Product. Tying the goal to the overall growth of the state's economy makes sense to me, since all we're trying to do is make sure health care costs don't outgrow everything else. In business, they shouldn't crowd out the ability to add more people to the payroll or to invest in innovation. In government, that means that they shouldn't crowd out investments in education and public safety and

job creation.

Candidly, I'm not that interested in total health care expenditures as an end in itself. I care about what people are actually experiencing. How much of their take home pay is going to health care? How much of a small business's budget is devoted to higher premiums? How do premium increases effect a company's decision to hire somebody or a family's ability to meet their other household needs? Most of the experts involved seem to believe that "total health care expenditures" will serve as a reasonable proxy for achieving the results we want. If basing the goal on that helps make a difference in reducing premium, and other health care costs, then I will support it. If there is a better measure, let's hear it.

What goal is reasonable is a fair subject for debate. When you hear that per capita spending has grown three times as fast as median income and that 20 percent or more of current medical spending may be unnecessary. . . well, that suggests to me that an industry as dynamic and innovative as our health care industry should be able to find a way both to reduce costs and pass those savings on to you. In other words, an ambitious goal ought to be realistic. The Senate proposed limiting growth to growth in GSP. The House proposed GSP minus a half of a percent. The Associated Industries of Massachusetts and at least one Republican leader have pushed for keeping growth 2 percentage points below the growth in GSP.

I look forward to working with the Legislature and all of you on a final goal. I think the industry can do better than GSP. I certainly could not imagine accepting GSP plus anything, for three reasons: (1) the industry has already shown us they can do better than that; (2) they have shown they can do so without jeopardizing the quality of care; and (3) any goal that foresees increases above GSP just postpones the day when health care is all we can afford to buy.

Whatever the goal, the health care industry will need flexibility and may need new tools in order to meet it. The consensus among health practitioners is that transitioning to integrated care will improve the quality of care and also be more cost effective. The industry is moving in that direction and we have and will continue to help support these moves. But mandating global payments or any other specific means is unnecessarily limiting. The bill I filed required all state agencies to move away from fee-for-service (basically as a way to assure we are using the state's buying power to move the market and modeling the change that works), but we left room for fee-for-service in the private market so long as costs were controlled. I do think it is important to allow that kind of flexibility. It's lowering premiums and maintaining quality we care about, not necessarily the details of every method of care delivery.

Thirdly, it is critical that the industry be accountable for reaching the goal. Government has a role in that, obviously working with health care experts and allowing sufficient latitude and time to get there. I'm not interested in government intervention for the sake of government intervention. I am interested in completing the vision of health care in Massachusetts: accessible, high quality and affordable care for

everyone. That is the public's interest, and government's job is to serve the public interest.

The legislation I proposed last year had a relatively simple mechanism for government's role in the market. Currently, if insurance rate increases are unjustifiably high, the Commissioner can disapprove them. My bill would have given the Commissioner of Insurance explicit factors to consider in determining whether rate increases were justified. What is appealing about that is it focuses on the impact most of us care most about: how much premium costs are going up for individuals, families and businesses. My bill also gave the health care industry more tools and infrastructure to help facilitate a move toward higher-quality, lower-cost integrated care. In short, we proposed to use a familiar, existing framework and let the market figure out the means so long as, at the end of the day, insurance rates come down and quality goes up.

Both the House and the Senate bills propose new state agencies to do this. The bill I filed last February created no such agency and I have yet to be convinced that we need one. I am all for making things more efficient. There are a whole host of different touch points for the health care industry and state government today. I would support consolidating what we have under one umbrella, and sharpening the mission. That much makes sense to me. I am not convinced, however, that consolidation requires a new quasi-independent agency. Creating new quasi-independent agencies with less accountability to the public is a bad Massachusetts habit. If there is a new agency, it is vitally important that it be as accountable to the public as other branches of government or other successful quasies, like the Health Care Connector.

The fourth principle for the final bill is sensible tort reform. I don't think I need to say much about this because I think everyone is in agreement that we need it in this bill. We proposed a mechanism in our bill last year and the House and Senate have each proposed similar language.

So that's what I am looking for: a realistic goal, assured flexibility in how best to achieve it, a means to hold the industry accountable for meeting it, and a mechanism to reform medical malpractice. We can accomplish that within the framework of the various proposals pending before the Legislature today, and without, as one friend likes to put it, "killing the golden goose." Let me say a bit more about that.

The health care industry is important to Massachusetts, to me. It is a source of jobs and economic development, a source of healing and miracles, and a source of enormous civic pride for all of us. It stretches across all sorts of different disciplines and all corners of the state. No one wants to cause undue harm to the industry. The goal of the initiative to contain costs is to help bring balance and efficiency so that we can improve our economic competitiveness for everyone, not harm it. I have no doubt that the solutions to these challenges will come largely from the innovative, creative and caring women and men who work in the industry. I am proud of the strong partnership we have built and I am certain we will reach a good legislative conclusion together in the next few weeks. And I have no doubt

that the future of the health care business in Massachusetts is bright.

We have challenged each other to make a big change. That's what we do in the Commonwealth of Massachusetts. I know we can accomplish this. My confidence comes from the undeniable fact that, working together with many of you in this room, we have addressed problem after tough problem that had been talked about and yet left unresolved for decades.

From shutting down the Turnpike Authority, collapsing six different state agencies into one and saving a quarter billion dollars in transportation; to lifting the charter school cap and raising teacher and student performance; to eliminating the abuses and saving \$5 billion in the public pension system; to strengthening the municipal health care system and the ethics laws; to fixing the criminal records system so that a minor record doesn't serve as a life sentence; to putting civilian flaggers at construction sites, we have imagined a better Commonwealth, and then together we have reached for it. Time after time we have moved beyond stale and tired slogans, false choices and political expediency to meet our responsibility to leave the Commonwealth better for those who come behind us. We have more work to do but let's recognize how far we have come – and take some confidence from the fact that, as it turns out, our biggest challenges are not beyond our capacity to care about and to solve.

The point is this: we can solve problems when we hope – yes, hope – for the best and then work for it.

That's what I love about this job. That's why I ran for a second term and why I'm not going anywhere. That's why I'll be back in front of you next year and the year after that, with an equally ambitious agenda, pushing hard for more progress until I take my farewell walk down the front steps of the State House at the end of my term.

I am thankful to my Cabinet and staff, and to everyone here who has been a part of that work. And I ask you to keep working together and with us for a better future for our neighbors and our nation.

Thank you very much for having me.