SB 631 Hearing Testimony
A Health Care System to Embrace All Oregonians

A statement as part of the testimony to support HCAO Senate Bill 631

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A society's health care system is an integral part of its social institutions, rather than merely a service system organized either by the government or free market. As such, a society's health care system reflects the nature and characteristics of its people, while also reflecting its values. When our health care system treats people in need who are suffering from disease and injuries, no other social institution can be more direct and impactful in demonstrating who we are as a society. If we recognize our health care system as a social institution, we would want this system to represent our values, compassion, and caring capacity for the sick and unfortunate.

In contrast, for centuries we have treated our health care system as a free market enterprise wherein individuals access health care services according to one's means. This leaves out those who do not have sufficient means with inadequate or no access to health care services. In 2014, there were 6.2% uninsured among Oregonians age 18 to 64, and 5.1% uninsured among all Oregonians.[OHSU & Oregon Health Authority 2014] Beyond causing inadequate access to health care, our current system also contributes to both high costs and waste in health care service spending. Between 1999 and 2014, while average wages increased 54%, health insurance premiums for family coverage increased 191%. Not only did the gap between health insurance premiums and works' earnings widen, moreover, workers' contribution to premiums also dramatically increased 212% during the same period. [Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2014] This continuing widening gap between health care costs and wage increases is unsustainable, which is also strong evidence that our current system is failing us. While the Affordable Care Act significantly reduced the number and proportion of uninsured, it is incapable of controlling the continuing escalating costs of health care, which is directly affecting the rise in health insurance premiums. The average annual premium for family coverage in 2014 was $16,834. [Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2014] This figure was 70.6% of the Federal Poverty Line for a family of four ($23,850) in 2014. During the same year, 13.3% of U.S. households had an annual income of no more than $15,328, and 34.8% of U.S. households had an annual income of no more than $35,768. [National Association of Home Builders' estimate, based on the American Survey data of

2012] These figures tell us a naked truth: despite the ACA, which has reduced the number of uninsured, our health insurance is not affordable to a large proportion of families, nor is it sustainable at the rate it is increasing.

Further, despite being the most expensive health care system in the world, the U.S. ranks near or at the bottom among Organization of Economic Cooperation and Development (OECD) nations in most indicators of health care access or outcomes. For example, when sick or needing medical attention, only 43% of U.S. adults were able to have same or next day appointments, while 80% of Dutch, 71% of New Zealanders, 62% of French and 61% of British have such access. All these nations have government funded universal health care. [Commonwealth Fund 2015] In 2012 the U.S. spent $631 per capita on health insurance administration, while Japan spent only $54 per capita. [Commonwealth Fund 2015] During the same year, 23% of Americans reported having serious problems paying or were unable to pay medical bills, the highest in any OECD country, while the second highest in France reported 13%. [Commonwealth Fund 2013] As for health care outcomes, in a comparison of mortality amenable to health care among 16 OECD countries, the U.S. ranked at the bottom with a statistic of 96 per 100,000 deaths amenable to health care in 2005-2006, compared with 55 in France and 60 in Italy. [Commonwealth Fund 2011]

All of these indicators suggest that our current system is the most expensive while at the same time the most inefficient and inequitable health care system among OECD nations. This is not something of which we can feel proud, nor does it reflect the character of our people and society. There is little doubt that we are urgently in need of significantly reforming our health care system. The question is into what kind of system should our health care system transform?

As a health policy and international health professor at Oregon State University, I urge the Senate Health Care Committee to consider and advance SB631. While the Affordable Care Act (ACA) attempts to mitigate some of those problems described above, it is widely acknowledged to provide only a patchwork of solutions that leaves more fundamental structural problems intact. These problems are complex, yet critical to the well-being of our state and nation. National health expenditures consume 18% of GDP and are only projected to rise. These financial pressures exist alongside innumerable testimonies of individuals and families whose lives have been negatively impacted by a system that has failed to provide the opportunity for affordable care. The myriad burdens within our current system that will remain even after full implementation of the ACA warrant a commitment to thoroughly exploring potential solutions. SB631 represents the full transformation of our health care system into one that is humane, effective and efficient; one that truly shows the nation and the world that Oregonians are caring and innovative people who dare to take bold steps to better our society.

The ACA reforms are characterized by a piecemeal approach of subsidies and taxes that fail to establish a comprehensive system of cost containment, while neglecting more core issues of health system financing that profoundly impact overall system costs. While the insurance mandate has expanded the number of people in insurance risk pools, the segmented nature of our health insurance system continues to be

problematic. High costs associated with this fragmented system remain, including administrative demands, costs of negotiating rate setting, marketing, and more. The cost-shifting that characterizes this fragmentation will continue to obscure the financial burdens throughout the system and impede needed systemic improvements. Of special concern, the ability of insurance companies to segment members by risk through offering plans of different coverage will continue to lead to those with the highest need for medical care paying significantly more for their care. As long as there is differentiation in risk pools within and beyond the Exchanges, affordability for those who are less healthy will be a persistent problem. The Congressional Budget Office maintains that higher-risk groups will likely still incur higher costs despite risk adjustment. Once the ACA is fully implemented, while access will be improved, we will still be a long distance from achieving affordable, quality health care for all. Further, under the ACA, despite the persistence of these problems negatively impacting access to and financial burden of health care, no one is held accountable.

The SB631 will critically transformed Oregon's health care system into a publicly funded, privately delivered universal health care for all residents of Oregon. This system will improve access to and quality of health care, while significantly reducing the costs to all Oregonians and making it far more effective and efficient. At the same time, a publicly financed healthcare system will be accountable and responsive to Oregonians' needs and preferences, traits which are absent from the current system.

Implementation of a single-payer universal healthcare system in Oregon will generate major savings from dramatically reduced administrative costs of multiple insurance carriers that generate excessive transaction costs. These heavy administrative costs, which increased more than 12 times between 1980 and 2005. [HCAO 2014] For example, a study in 2014 found that U.S. hospital sector administrative costs alone spent 1.43% of GDP, or $667 per capita per year, which is 25% of all hospital costs. [Health Affairs 2014;33:1586-94] Another study in 2011 found that an average U.S. doctor spends $82,975 to process claims per year, compared with Canadian doctors who, with a single-payer system, spend $22,205 per physician per year for billing. [Health Affairs 2011; Web First Aug. 3] Between 1980 and 2005, the costs of administration for private health insurance increased more than 12 times. Under a single-payer health system, the administrative costs can be dramatically reduced. Further, a single-payer system can generate further savings by negotiating with pharmaceutical companies to reduce the prices of drugs that are covered, which are the fastest growing cost in health care spending, having increased nearly 20 times between 1980 to 2005. These savings will be more than adequate to cover all the uninsured in Oregon. Our current system is fiscally unsustainable and, it can be argued, ethically untenable.

While costs are an important consideration in a healthcare system, cost savings are not the only benefit of a single-payer system. In our current fragmented system, provision of healthcare is separated from promoting health. In most nations with a publicly funded healthcare system, the finance and delivery of healthcare is often closely linked or coordinated with promotion of population health. Our current

system does not provide any such mechanism, nor incentives for insurers or any organization to consider the health of all Oregonians. The universal health system that SB631 creates will provide the institutional platform to integrate healthcare delivery with promotion of population health.

A very important aspect of the U.S. health care system that is frequently neglected is community governance, which is due largely to our fragmented system that does not provide a mechanism for public participation in decision making. Governance, however, has become one of the most important issues to which countries with a universal healthcare system are paying attention. In a democracy, people should have the right to participate in their health system and the shaping of its priorities. However, Americans are deprived of such right, and often don't even know such rights exist. Under SB631, the new system will provide a mechanism for Oregonians to participate in processes of priority setting. As an Oregonian, I am very proud that we were the first place in the world to directly engage communities in setting priorities for the Oregon Health Plan. SB361 will continue that innovation and make Oregonians proud of having ownership of our healthcare system.

This year Taiwan celebrates the 20th anniversary of its National Health Insurance (NHI), a single-payer universal healthcare system. I have had the privilege of serving as a consultant for this NHI program since 1999, and as a policy advisor for its National Health Insurance Administration, the government agency administering Taiwan's NHI. It has achieved the seemingly impossible goals of a healthcare system: reaching universal and very generous coverage while maintaining low costs. In 2013 Taiwan spent only 6.61% of GDP on national health expenditures (NHE). Further, Taiwan's annual growth in NHE was 10-17% prior to 1995. After Taiwan established the NHI in 1995, the annual growth rate of NHE has been dramatically reduced to 3.2% in 2013. Notably, Taiwan achieved this while expanding coverage.

There are several other benefits of a single-payer system that are also neglected in our healthcare reform debates. One of them is health information technology. Taiwan has among the world's most advanced health information technologies. Since 2002 all residents of Taiwan have a "smart card" from the NHI that allows any provider to access a patient's recent diagnoses and prescriptions, dramatically reducing redundancy of lab tests and prescriptions. Currently it is developing a "Cloud Pharma" that will put all residents' prescription histories in a cloud server. It is an active system that not only informs physicians of a patient's prescription history, but also warns physicians if their prescription has interaction with other prescriptions. Another current project is to establish a personal health account system called "My Health Bank", which will allow patients to access her complete medical records online. Taiwan is able to establish itself as the world's leader in health information technology but not because Taiwan has the world's best technology. On the contrary, the U.S. has more advanced information technology than Taiwan. Rather, it is because Taiwan can integrate the latest information technology into their NHI, whereas the U.S. cannot because of the absence of a single-payer system.

Another unexpected benefit of NHI in Taiwan is the availability of population health data. Since its implementation of NHI, Taiwan has gathered its population health data for two decades. Such population data provide unusual opportunities for researchers to study population health, rather than having to spend resources and time to collect sample data. There is little wonder that publication of Taiwan's health related research in international journals has dramatically increased over the last two decades, and contributed to policy improvements in Taiwan.

As a health policy professor, I have to believe that the government is a conduit through which we can engage in deliberative action to improve our society. Moreover, a single-payer system proposed by SB361 will transform our healthcare system into one that is not only humane and caring, but also innovative and responsive. It will be a system that makes all Oregonians feel the warmth of community and the glow of our ingenuity. SB631 directly speaks to the health of our communities and of our fiscal stability – valid concerns respectively, and especially urgent collectively. Oregon is a model for innovation in health policies, and for creating opportunities for an exceptionally high quality of life for its residents, including healthy communities. Support for SB631 is entirely in keeping with both our commitment to well-being and our innovation at the state level to engage evidence-based approaches to address the health care crises we collectively face. It is also the first step towards promoting a health system that can improve Oregonians' health in an efficient, equitable and sustainable way; a system that reflects the fine character of Oregonians. It can also show the nation our pioneer spirit in setting a model that others can follow, and of which all Oregonians can be proud.