

Ryan Opening Statement
HHS SECRETARY LEAVITT
February 27, 2008

- *Welcome Secretary Leavitt.*
- When you testified to this Committee last year, one of the most important points you made was this: you said we do not have a health care “system” in this country; what we have is a health care *sector*.
- It’s a concept you repeated recently before the Ways and Means Committee – on which I also serve.
- You said: health care should be “a private market where consumers choose, where insurance plans compete, and where innovation drives the quality of health care up and may drive the cost down.”
- And that principle underlies much of the Administration’s approach to health care, including the President’s health tax proposal.
- This is important because it goes right to the heart of the health care debate. If there are problems with health care, they have come about *not* because the market has failed, but because of *distortions* imposed on it over the decades.
- Those who think they can “fix” health care with more government spending and intervention are headed in the wrong direction – and consumers will suffer for it.
- Let me cite just two examples, both of which are relevant to the President’s budget:
 - *First is Health Insurance.* Most people in America who have health insurance get it from their employers or the government – that is, from *third parties* – and this is mainly because of an accident of tax law that goes back to World War II, when there were wage and price controls.

What's odd is that we don't let someone else choose our cars or refrigerators or clothes for us. But with something as important as health insurance, we do. It's no wonder some people get frustrated about their coverage, or feel in danger of losing it. They're not calling the shots.

- *Second is Government Spending.* About 35 percent of the \$2 trillion we spend on all health care nationally comes from two government programs: Medicare and Medicaid. When government pours that much money into any sector, it's going to affect prices and distort the practice of medicine.

In other words, one of the reasons health care costs are rising so rapidly is the huge amount of spending and control that government pumps into it. These programs also affect the benefits and pricing in private insurance, because they create benchmarks that commercial insurers fall back on.

- The point is this: the key to both controlling health care costs and expanding coverage lies in *removing the distortions in the market*. That means several things, including:

- *Ownership.* Health insurance should be owned *by the people who use it* – and we can accomplish this by shifting the current tax benefit from employers to individuals and families. We can debate whether it should be a deduction or a credit or what have you – but the point is that it should be changed to promote *personal ownership*.
- *Transparency.* One of the big problems in health care is that prices are opaque. In the Milwaukee area you can pay \$100,000 for a bypass operation at one hospital, and just \$48,000 for the *same procedure* at another hospital. But most patients – and sometimes even the doctors – don't know this.

- *Entitlement Reform.* Something that's missing from nearly every major health care reform plan being discussed is that they don't include fundamental reform of Medicare and Medicaid.

As I indicated before, unless we reform those programs, and moderate their unsustainable spending growth, they will continue adding to medical inflation – and health care reform itself will fail.

- The President's budget does address these issues, and tries to foster a truer, and more efficient, marketplace. We may not agree with every specific proposal the President offers – but he does point in an important direction that we ought to consider. I look forward to discussing these issues with you today, because they really should be part of the national debate.
- One other issue worth mentioning is the Medicare trigger. As you know, just this week the President's legislation to address the program's fiscal instability was introduced in Congress. But there is far from bi-partisan agreement on the fate of this legislation. So I'll look forward to hearing your thoughts on that issue as well.