

**REMARKS TO THE HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE ON
AFFORDABLE AND ACCESSIBLE HEALTH CARE****Interim Commission on Affordable Health Care Plans for Small Businesses and Families
(Division I)****John E. Aschenbrenner****February 7, 2007**

Principal Financial Group is a recognized leader in offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement and investment services, life and health insurance and banking through a diverse family of financial services companies.

A member of the FORTUNE 500, the Principal Financial Group serves some 15.6 million customers worldwide from offices in 11 countries throughout Asia, Australia, Europe, Latin America and the United States. We have 14,500 employees worldwide with 12,800 employees in the United States, and 8,540 in Iowa.

Principal currently provides health care coverage to nearly 1 ½ million individuals; 158,000 of them in Iowa. That experience gives us some insights and background into health care. But we're really not here as an insurer today. We're here as a major employer in Iowa and as a concerned citizen.

We believe every American – every Iowan – every one of our employees – should have access to quality, affordable health care coverage. Lack of access has profound consequences, inflicting hardships on millions of families, straining the social fabric of our nation and undermining the economy. We are less productive, less secure financially, and less healthy because of it.

That's why Principal has made the decision to devote time, energy and resources both in Iowa, and across the country, to the issue of the health care reform.

Consider the following: The cost of health care in the U.S. is greater than anywhere else in the world (16 percent of our gross domestic product vs. 10 percent in France and Canada, respectively). As the cost of care and associated health insurance premiums rise, so does the number of persons without insurance. Today, more than 46 million individuals in this country – including 8.3 million children -- are uninsured.

Adding insult to injury, some of our rising health care costs are directly attributable to nothing more than the fact we do not take good care of ourselves. The U.S. leads the world in obesity rates. Continued tobacco use, unhealthy eating habits and insufficient physical activity significantly add to health problems and consequently, healthcare costs.

And finally, while the U.S. leads the world in the cost of its health care, we aren't leading in quality of care. U.S. life expectancy is below that of most industrialized nations. Our infant mortality rates continue to outpace the developed world. Medical errors are responsible for the deaths of up to 98,000 Americans annually. Approximately \$500 billion of our health care spending is wasted every year on poor or redundant care and other problems in an extremely complex and difficult-to-navigate healthcare system.

These are complex problems with complex solutions. There is no easy silver bullet. It is going to take a strong public/private partnership with both heavy federal and state involvement. At this point in time, it looks like major reform is much more likely to be initiated at the individual state level than at the federal level.

Thanks in no small part to the work of the Iowa Legislature over the years, most Iowans have access to affordable health insurance. The state has demonstrated an impressive ability to manage its health care system in a way that is almost unmatched. Compared to other states, it ranks second in having the lowest percentage of residents – approximately 9 percent -- that are uninsured. And it has some of the lowest health insurance premiums in the nation. In spite of our best efforts, however, we are nonetheless being drawn into and impacted by one of the most daunting public policy issues in history -- transforming the healthcare system – where the problems and solutions are as complex as the system itself.

The same characteristics that make our issues in Iowa somewhat less severe also provide Iowa the opportunity to be a leader in health care reform.

We applaud your efforts to address health care reform in Iowa and to ensure affordable healthcare for all Iowans.

We agree with the proposal to establish a commission to review and analyze health care reform in Iowa.

We respectfully suggest that the charge should not be limited to small businesses and families, but should be aimed at quality, affordable health care for all Iowans.

We like the public/private make-up of the commission and the variety of backgrounds, but would also encourage you to consider including one or more health care professionals as voting members of the commission.

While accessibility, cost, safety, quality and healthy lifestyles must all eventually be addressed, prioritization and focus will be necessary to achieve successful outcomes.

It appears that the commission would be focused on ensuring access to affordable coverage. We would agree that is an appropriate first priority.

Early in the process, it will be important to define the pace of change. For example, Iowa could attempt a full scale solution such as Massachusetts has done, or we could look at a multiple step process – perhaps first addressing health care coverage for all children in Iowa.

I represent Principal on the Board of American Health Insurance Plans (AHIP), a national trade association representing 1300 member companies providing health benefits to more than 200 million Americans. AHIP has developed a joint public/private, federal/state proposal that we briefly discussed with a number of you yesterday. It is aimed at providing coverage for all children in the U.S. within 3 years and essentially all adults within 10 years. AHIP has been joined in a coalition to advance this agenda by organizations such as AARP, the American Medical Association, the American Hospital Association, Families USA and the U.S. Chamber of Commerce. We would be happy to share this proposal with you as well as the expertise within both Principal and AHIP.

We appreciate your leadership on this important endeavor, and we are ready and willing to do our part to be part of a broad based public/private partnership addressing these critical issues.

Transforming America's Healthcare System

Issue

The U.S. is facing one of its most daunting public policy reform issues in history: transforming our healthcare system. The problems and solutions are as complex as the system itself. Key healthcare reform issues include the skyrocketing cost of care, uninsured and underinsured individuals, unhealthy lifestyles, healthcare quality and safety, and consumers' difficulty in understanding and navigating a complex healthcare system. While it is tempting to look for a single, simple solution, it doesn't exist. Everyone (both public and private) is going to need to understand complex and related aspects of healthcare delivery and financing to craft a future that addresses these critical issues.

Background

- **High and Escalating Cost of Care**

High healthcare costs reduce U.S. household discretionary income, business and industry profits, global competitiveness and investment capital. The U.S. leads the world in healthcare spending, with a whopping 16 percent of our gross domestic product spent on healthcare. By comparison, France and Canada spend about 10 percent.¹

In 2005, employer health insurance premiums increased 9.2 percent, over twice the overall inflation rate (3.5 percent). During the four-year preceding period (2000-2004), employer health insurance premiums increased nearly 50 percent, while the four-year combined overall inflation rate was 9.4 percent.²

- **Uninsureds**

There are approximately 45.8 million uninsured individuals in the U.S. today. The most vulnerable are children. Nearly 19 percent of children in poverty lack healthcare coverage.³

- **Unhealthy Lifestyles**

The U.S. leads the world in obesity rates.⁴ Continued tobacco use, unhealthy eating habits and insufficient physical activity significantly add to health problems and healthcare costs.

- **Quality and Safety**

While the U.S. leads the world in healthcare spending, we don't lead in quality indicators. U.S. life expectancy is below that of most industrialized nations. U.S. infant mortality rates continue to outpace the developed world.⁵

Approximately one-third of U.S. healthcare spending (\$500 billion annually) is wasted on poor or redundant care and other problems, according to the Department of Human Services. Further, the Institute of Medicine has estimated that medical errors are responsible for the deaths of up to 98,000 Americans annually.⁶

- **Navigating a Complex System**

Making patient care decisions is an extremely complex process for patients and their families, often under very stressful conditions. In critical illnesses and accidents, an individual may be treated by multiple healthcare professionals, many times with less than adequate communication and coordination between them, and often without a lead physician managing, overseeing and coordinating all care.

Our Position

We believe the current healthcare structure comprised of a competitive private healthcare market combined with government programs for people unable to afford healthcare coverage should remain the foundation of our system. The employer sponsored system is the most efficient delivery method for the majority of individuals and should continue.

However, given the daunting issues facing healthcare funding and delivery, we recommend restructuring our public-private healthcare partnership using the following recommendations:

- **Insuring the uninsured**

The solution should be a combination of an individual mandate with government funding for those unable to afford coverage.

Individual Mandate

All individuals should be required to have basic health insurance coverage either individually or through employer sponsored health plans. The basic required level of coverage needs to be defined. It should encourage prevention and early detection, provide catastrophic coverage and be flexible enough to encourage individual accountability and involvement in healthcare decisions. Unnecessary and costly special interest benefit mandates should be avoided. There will need to be insurance company requirements and pooling techniques to ensure that insurance is available to all individuals at equitable rates.

Government Funding

Individuals unable to afford health insurance coverage should receive subsidies or coverage through the government. Public resources will be used more efficiently when the government focuses its efforts on providing coverage only to individuals who cannot afford it. General revenue funds are one source but could be supplemented by other sources such as tobacco or premium taxes.

- **Individual Involvement and Accountability**

Individuals must become more involved in understanding and managing their health and healthcare spending decisions. For this to happen, consumers must be provided with educational tools to make informed decisions. Healthcare cost, quality and data outcome information should be easily accessible to consumers, allowing them to make informed choices regarding services and coverage.

In addition, insurance coverages must be designed in a way that encourages individual accountability and involvement. High deductible health plans combined with Health Savings Accounts are good examples of this.

- **Prevention and Healthy Lifestyles**

Disease prevention, early detection and treatment, wellness initiatives and healthy lifestyles are essential to the health of individuals and can have a major impact on reducing healthcare costs. Government and businesses are recognizing the benefits of a fit, healthy workforce. Public and private policies and programs need to better encourage efforts to promote health-related choices. Insurance programs also need to promote and reward prevention, early detection, healthy lifestyles and participation in wellness programs.

- **Consistent healthcare services pricing**

Cost shifting for medical services between different entities or individuals should be eliminated. It is not unusual today for the federal government to pay a provider 50 percent of their list price. One insured individual might be charged 60 percent, another 70 percent, and an *uninsured*

individual 100 percent. A medical provider should be required to charge all patients, including those on Medicare and Medicaid, the same amount for identical services. The current system adds a significant extra layer of expense for negotiating and administering complex discounts, adds a huge extra cost burden for the uninsured, and discourages health professionals from specializing in care to the elderly or others covered under Medicare or Medicaid.

- **Electronic Personal Health Record**

Huge improvements in treatment quality and safety as well as cost would result if all healthcare professionals treating an individual had immediate access to a complete health and medical treatment history of that individual. The government will need to be involved in the development and maintenance of an electronic system, standards and privacy controls to accomplish this.

- **Evidence Based Medicine**

Healthcare professionals need ready access to up-to-date information on accepted and effective treatment protocols. The federal government needs to be involved by a) funding scientific research to determine appropriate and effective treatments and b) maintaining an electronic data base where professionals can access this information.

- **Technology**

Major advances in the development and usage of healthcare technology are going to be critical to improving quality and safety as well as controlling costs of healthcare. Important aspects of this technology development include i) electronic personal health records, ii) evidence base medicine data bases, iii) consumer data bases of cost, quality and outcomes and iv) electronic prescription orders for all prescriptions. A close public/private partnership will be necessary to achieve these important technology advances. The government doesn't have to do it by itself, but needs to initiate and coordinate the efforts, including involvement in setting nationwide standards, supporting development and implementation with funding, and encouraging usage either through incentives or requirements.

- **Navigating the Complex Healthcare System**

Paradigms need to shift and healthcare professionals along with their educational organizations need to develop a new model for delivering healthcare. Individuals need a lead professional that is both capable of and in a position to effectively oversee and manage the complete health and healthcare needs of an individual.

- **End of Life**

A large portion of healthcare costs in the U.S. are expended in the last few months of life. A significant portion of these involve inappropriate and ineffective treatments and procedures. While end of life decisions involve serious ethical and emotional issues, we need to tackle them if we expect to mitigate the growth of healthcare costs. Development of and adherence to evidence based standards could go a long ways to helping control these costs.

- **Tort Reform and Defensive Medicine**

Medical liability and runaway jury judgment awards add significantly to healthcare costs. Legislative and judicial changes are needed to limit outlandish settlements while still fairly compensating individuals harmed by poor or negligent care. Standards from evidence based medicine should be a major factor in determining liability of healthcare professionals. Tort reform will help to both limit inappropriate malpractice costs as well as minimize costs associated with unnecessary defensive medicine.

- **Escalating Costs**

It's unlikely the free market by itself can completely control costs. Greater individual accountability will help, however, the emotional nature of medical and coverage decisions make it difficult for the free market to work as effectively as it does in other economic sectors. Additional measures, such as price controls, may be needed and should at least be studied and carefully considered.

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¹ OECD Health Data 2005, *How Does The United States Compare?*

<http://www.oecd.org/dataoecd/15/23/34970246.pdf>

² The Henry J. Kaiser Family Foundation, *Employee Health Benefits 2005 Annual Survey*, September 10, 2005, <<http://www.kff.org/insurance/7315/upload/7315.pdf>>

³ Carmen DeNavas-Walt, Bernadette D. Proctor, Cheryl Hill Lee, *Income, Poverty and Health Insurance Coverage in the United States: 2004*, U.S. Census Bureau, August 2005, pg. 21.

⁴ OECD Health Data 2005, *How Does The United States Compare?*

<http://www.oecd.org/dataoecd/15/23/34970246.pdf>

⁵ *Id.*

⁶ National Committee for Quality Assurance, *The State of Health Care Quality 2003: Industry Trends and Analysis*. 2003.