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1 GOP HEALTH CARE HEARING:
2 PREVENTION THROUGH HEALTHY BEHAVIOR - A KEY TO HEALTH CARE
3 REFORM
4

5 Thursday, May 21, 2009
6

7 U.S. Senate
8 Republican Policy Committee
9 Washington, D.C.
10

11 The Committee met, pursuant to notice, at 10:04 a.m.
12 in Room 485, Russell Senate Office Building, Hon. Lamar
13 Alexander, Chairman of the Senate Republican Conference,
14 and Hon. John Ensign, Chairman of the Republican Policy
15 Committee, presiding.

16 Members Present: Senators Alexander and Ensign
17 [presiding], Thune, Burr, and Cornyn.

18 Index: Senators Alexander, Ensign, Thune, Burr, and
19 Cornyn.
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1 OPENING STATEMENT OF HON. JOHN ENSIGN, U.S. SENATOR
2 FROM NEVADA

3 Chairman Ensign: Well, good morning, everybody.
4 We're very excited about this hearing that we have this
5 morning.

6 The Republican Policy Committee and the Republican
7 Conference are doing this as a joint hearing and Senator
8 Alexander went to vote first, so he can come back and then
9 I can go vote and so we can keep everything moving along.

10 Very excited about the three witnesses that we have
11 today and we'll be introducing them right after my opening
12 statement.

13 Healthcare affects all Americans. We know that. It
14 is a situation whether if you don't have health insurance
15 or access to good quality healthcare. Some people think,
16 well, is there a crisis in America today, and I would
17 submit that if you're a parent and your child doesn't have
18 access to quality healthcare because it's too expensive,
19 it's a crisis to you.

20 If you're an employer and healthcare costs are running
21 out of control and you can't afford to give your employees
22 raises or if you, frankly, just can't afford to stay in
23 business any longer because healthcare costs have gone up
24 too high, then it's a crisis.

25 So I think we have some serious, serious problems in

1 the healthcare industry in the United States, and what this
2 hearing is going to focus on is one of the best ways that
3 we can control costs and in fact make health care available
4 to a lot more people if you bring the costs down and doing
5 that through encouraging healthy behaviors.

6 All three of our witnesses today have incredible
7 personal stories as well as what they've done on a
8 professional level and we're excited about having them here
9 today.

10 On a personal note for myself, because of some of the
11 meetings that I've had with Steve Burd, the CEO of Safeway,
12 and following also Governor Huckabee's extraordinary
13 personal journey and what he did in Arkansas, my own office
14 has embarked on a little wellness program. It's all
15 voluntary. It's a little contest. We're doing a
16 percentage loss of body fat over the next three months. So
17 we're all excited. Everybody's eating healthier now and we
18 call it the Safeway Plan for our office. So it's pretty
19 exciting and it's interesting.

20 Just in the first week how we have a little candy dish
21 and how that candy dish normally gets emptied in a couple
22 hours and it's been there all week and it's still almost
23 nothing out of it. So people are thinking about choices
24 that they're making and the bottom line is, is that not
25 only will healthy -- making healthier choices save money in

1 healthcare, but people across America will be healthier.
2 They will live better quality lives and that's a big -- a
3 big reason that we're having this hearing and trying to
4 focus so much on encouraging people to make healthier
5 choices in their lives today.

6 Our guests today include Governor Mike Huckabee who
7 was diagnosed with Type II diabetes in 2003. He lost a 110
8 pounds by changing his lifestyle and then he applied those
9 lessons that he learned in his state, launching the Healthy
10 Arkansas Initiative, which focused on helping people
11 increase their physical activity, improve their nutrition,
12 and, very importantly, cut their use of tobacco.

13 Dr. Andrew Baldwin, just on another personal note, the
14 females in my office and around the rest of Capitol Hill
15 were very excited to have you here, Dr. Baldwin, and he is
16 a physician with the Navy's Bureau of Medicine and Surgery
17 and works with the U.S. Surgeon General on his Healthy
18 Youth for Healthy Future Initiative, a national program to
19 combat childhood overweight and obesity.

20 He also lives by his own example since he has competed
21 as an ironman triathlete and before the hearing, we have
22 over at the Policy Committee, we have a picture of Lake
23 Tahoe and I was just talking about that I'm going to be
24 riding in -- it's called the Most Beautiful Ride in
25 America. It's a ride around Lake Tahoe and I thought that

1 was pretty good, riding 78 miles around, and he said,
2 "Yeah. I swam across that lake," and he took the short
3 way. It was only 12 miles.

4 And we also have Steve Burd, the CEO of Safeway. He
5 launched at his company a consumer-driven healthcare plan
6 that I believe can act as a template for addressing our
7 national healthcare crisis.

8 Overall healthcare costs -- I'll let him actually tell
9 the stories on exactly how much money that they saved, but
10 the bottom line through rewarding people, putting financial
11 incentives in, they were able to help -- encourage people
12 to make healthier choices and they've been able to bring
13 their healthcare costs down significantly.

14 A lot of people are saying that we need to spend more
15 money, more of our national GDP on healthcare today, and I
16 would submit that if we do the things right, we actually
17 spend -- you know, almost 17 percent of our Gross Domestic
18 Product right now is spent on healthcare. That's at least
19 three or four percent than any other country in the world
20 and I would submit that we spend plenty of money on
21 healthcare. We're just not putting the incentives in the
22 right places and I think that's a big purpose of the
23 hearing today, is to show that if you do things right, you
24 can actually lower the cost of healthcare and use some of
25 those savings to make sure that all Americans have access

1 to affordable healthcare insurance through the private
2 sector.

3 So with that, Governor Huckabee, why don't you start
4 us off with your statements? Just feel free, and we'll
5 just go right down Governor Huckabee, then Dr. Baldwin, and
6 then Mr. Burd.

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1 STATEMENT OF HON. MIKE HUCKABEE, GOVERNOR, STATE OF
2 ARKANSAS

3 Governor Huckabee: Senator, thank you very much.

4 It's an honor to be here this morning.

5 I want to begin with a statement that perhaps will
6 sound a little out of character for the point, but we
7 really do not have a healthcare crisis in America. That's
8 the often-used word. What we have a health crisis.

9 The fact is about 80 percent of our healthcare
10 expenditures are spent in this country on chronic disease,
11 disease that could be prevented or cured if we had
12 different lifestyles, and the three lifestyles primarily
13 driving chronic disease are overeating, under-exercising,
14 and smoking.

15 What we truly need is a transformational approach that
16 approaches the health issue as one to change from our
17 current system which is not a healthcare system, it's a
18 disease care system. We need to begin looking at
19 prevention as opposed to intervention because the entire
20 healthcare system today is built on the idea of waiting
21 until people are catastrophically ill and then seeking to
22 intervene with the most extraordinarily expensive
23 modalities of medical care. It's the equivalent of
24 continuing to treat snake bites instead of killing the
25 snakes before they bite us.

1 One of the concerns that I think have to be addressed
2 is that if we're going to truly see a healthcare reform, we
3 need to look at it as being approached from systemic
4 changes as opposed to programmatic changes and by that
5 definition, the entire system is upside down because it is
6 based from the way we train doctors to the way that we
7 reimburse the physicians and the providers. It's all based
8 on the idea of waiting until there is a disease, waiting
9 until there is a crisis, and then trying to figure out how
10 to pay for the intervention.

11 Prevention in the long run is less expensive, but,
12 more importantly, it could make a significant difference in
13 what is now, as Senator Ensign has already pointed out, an
14 extraordinary level of our GDP, some 17 percent.

15 I would point out that when I speak of the 80 percent
16 of that being driven by chronic disease, a more startling
17 figure is that approximately 85 percent of a person's
18 lifetime medical expenses are spent in their last 18 months
19 of life and so what we really have is a small group of
20 people at the end of life requiring extraordinarily
21 expensive medical care, primarily because they don't run to
22 the finish line, they don't walk to the finish line, they
23 are drug to the finish line with extraordinarily expensive
24 medical treatments because they're chronically ill and
25 therefore the costs are staggering.

1 One of the things I would point out is that America's
2 health a whole lot has been described like an NFL football
3 game on a Sunday afternoon. Twenty-two people down on the
4 field who are in desperate need of rest and 70,000 people
5 up in the stands who are in desperate need of exercise and
6 that's a pretty good picture of what's wrong with the
7 country today, is that there are health habits that simply
8 are leading us to this level of chronic disease.

9 My personal experience was one of having to find some
10 transforming behavior, but it resulted in policy changes in
11 my state. We became the first state in the country to
12 recognize that if we could get people off tobacco, whatever
13 cost there may be involved in that are much less than the
14 costs associates with tobacco-related illnesses.

15 So we began to cover in our Medicaid Program and for
16 state employees tobacco cessation programs, whether it was
17 the Nicotine Patch, 24-hour-a-day availability of
18 telephonic counseling. We knew that that would make a
19 difference and it did. I was able to sign a piece of
20 legislation in 2005, the Clean Indoor Air Act, that
21 recognized that a workplace ought to be a safe place, and
22 we didn't ban smoking in restaurants and bars because we
23 were trying to tell the consumers what to do. We put a ban
24 on smoking in all workplaces, not just restaurants and
25 bars, but all workplaces because it was really a matter of

1 workplace safety.

2 People are still free to smoke. They can smoke
3 themselves to oblivion, if they wish. They just can't blow
4 their smoke on someone else. So if they wish to inhale and
5 hold it, that's fine, but once they exhale it, they have to
6 do it outside so that they don't impose it upon somebody
7 else. So actually, it's only a partial smoking ban.
8 You're free to blow in all you want. You just have to hold
9 it for as long as that would possibly be.

10 Not being facetious but the truth is we stared looking
11 at things. For example, giving employees cash benefits for
12 their healthier choices, simple things, \$500 per employee,
13 a \$1,000 if they included their spouse for doing a health
14 risk assessment. We were amazed at how many people would
15 simply do the health risk assessment because it was money
16 in their pockets.

17 When we provided the smoking cessation tools, a lot
18 more people were willing to participate. We also included
19 weight loss programming in our state employee health plan,
20 three-tiered. One was an Internet-based interactive
21 approach. The second one for those who were more seriously
22 obese involved physician assistance, and the third one
23 actually involved covering bariatric surgery, and I know
24 that's somewhat controversial in many quarters,
25 particularly for coverage, but the truth is people who are

1 morbidly obese have extraordinarily expensive healthcare
2 costs and every effort to try to control those can make a
3 huge difference.

4 So I know my time is limited here, and I'll close, but
5 I do want to say thanks for taking on this issue, and I
6 would hope with all my heart that there would be a sincere
7 effort, as we look at the changes needed in the healthcare
8 system of America, not to so much look at just how to
9 access more people into a flawed system but to change the
10 system itself because if all we do is get more people into
11 a sinking ship, we really aren't doing the country and the
12 future of our children a great favor.

13 Chairman Ensign: Thank you, Governor Huckabee. You
14 have not lost any of your good humor or your plain speaking
15 and you've been a real pioneer for -- in the area of
16 prevention and wellness.

17 I think more of the Senators are on their way as the
18 vote occurs.

19 I would only say that the healthcare debate is
20 something Republican Senators are committed to. We want to
21 make a change. We want to do it this year. We want to do
22 it in a way that makes sense. We want people to be able to
23 afford their insurance, have choices, not have to wait in
24 line, and your example as well as your leadership as
25 Governor and nationally has been a real effective way to

1 put the spotlight on prevention and wellness. That is
2 one area about this healthcare debate that we may find
3 consensus on between Democrats and Republicans. So our
4 challenge in the next few weeks is to understand
5 specifically what provisions should be in the law that
6 would make it easier for employers and individuals to give
7 incentives for wellness and prevention.

8 Dr. Baldwin, thank you very much for coming. We look
9 forward to hearing from you.

10 [The prepared statement of Governor Huckabee follows:]

11 [COMMITTEE INSERT]

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1 STATEMENT OF DR. ANDREW BALDWIN

2 Dr. Baldwin: Good morning. Thank you, Senator
3 Alexander and Senator Ensign, for the opportunity to be
4 here with esteemed guests and Governor Huckabee and Mr.
5 Burd to talk about this important issue of healthcare
6 reform.

7 I'm appearing today in a personal capacity as an
8 athlete and a physician and not as a representative of the
9 United States Navy.

10 As a primary care doctor, I've seen the numbers of
11 Americans with preventable chronic disease, 133 million
12 Americans. That's one of every two American adults has at
13 least one preventable chronic disease, and these
14 preventable chronic diseases dominate our healthcare costs.
15 \$2.2 trillion each year, three-quarters of the costs go to
16 treating chronic disease.

17 So as Governor Huckabee mentioned, I, too, believe
18 that the real healthcare reform needs to be a switch
19 towards prevention. We need to hit the reset button and
20 stop rewarding sick care and start rewarding prevention and
21 healthy behaviors.

22 The costs of preventing these issues upstream before
23 they occur are considerably less than dealing with them
24 downstream.

25 Toward that end, in your legislation I urge you to

1 include funding for preventive medicine residency programs
2 in primary care. More focus needs to be placed on
3 prevention in our medical school curriculums. Having gone
4 through that and seen how little there is in our medical
5 school curriculums today and also preventive medicine
6 training programs need to be funded and recognized
7 throughout our country.

8 Today, I'd like to speak about a serious health issue
9 that I've seen with my own eyes in traveling throughout
10 America and one that I care passionately about and that is
11 the epidemic of childhood obesity.

12 Currently in the United States one-third of Americans
13 are obese. That's over 72 million people. So in my three
14 decades, a little over three decades on this earth, that
15 rate, that percentage has doubled.

16 But what's more alarming is also during those decades,
17 the percentage and the rate of obesity in our children has
18 tripled. So overall, approximately 17 million children are
19 now considered obese and many of these children already
20 have one or two, quote unquote, adult chronic diseases,
21 such as diabetes, high blood pressure. I've seen children
22 that have carotid arteries that are so thick and you'd
23 typically see that in a 60-year-old.

24 So I urge you the time to take action is now. We must
25 take action against this epidemic, not next year, not 10

1 years from now. If we don't change the trajectory of this
2 current path, this will be the first generation of our
3 children that will not on average live longer than their
4 parents did. Let me say that again. This could be the
5 first generation that does not outlive their parents.

6 Centuries of progress made in public health will be
7 eroded. Healthcare costs of chronic disease will proceed
8 to overwhelm our healthcare system.

9 I've had the honor and the privilege over the past
10 year to travel the nation with Acting Surgeon General
11 Steven Galson. Admiral Galson, he has an initiative called
12 Healthy Youth for a Health Future and Surgeon General, he's
13 visited over 40 states in our great nation, honoring groups
14 that are leading the fight against childhood obesity and
15 fostering discussion on collaborative ways that we can make
16 an impact on this epidemic.

17 It's been an honor to work with such a Surgeon General
18 who doesn't just talk the talk but walks the walk. My
19 focus on these trips is highlighting the physical activity
20 guidelines for Americans that was put forth last year by
21 Health and Human Services and the President's Council on
22 Physical Fitness. That was led by Melissa Johnson who I
23 believe is in the audience today and I commend her for
24 that. These are the first-ever comprehensive physical
25 activity guidelines for Americans that are backed by years

1 of scientific research.

2 I want to talk a bit about how much good health and
3 physical activity has played in my life, the core values
4 that have guided me my entire life. Taking care of my body
5 has served me well not only physically but also mentally
6 and spiritually.

7 For me, playing competitive sports and being
8 disciplined about nutrition, physical activity has fostered
9 confidence, perseverance and team spirit that has led me to
10 this room today and has given me the opportunity to work on
11 improving the health and well-being of millions of children
12 who are our future.

13 That's why I think that it is so important to promote
14 physical education, find ways to incorporate physical
15 activity into classrooms and make it a part of our
16 learning. What stands out so clearly in my mind is the
17 president's challenge that we took when physical education
18 was a daily occurrence within our schools when I was in
19 elementary, middle and high school.

20 As I close, people ask what the key is to -- what's
21 the key thing to blame for the rise in our childhood
22 obesity numbers. They want to point fingers, point to one
23 thing, what's the root cause, but the key is in reality
24 that the problem is multifactorial.

25 We each have a role that we can play as parents,

1 leaders, public figures, being good role models for our
2 children, schools teaching helping healthy habits and
3 creating opportunities for activity, much of what Governor
4 Huckabee talked about.

5 Our businesses can devise programs in the workplace to
6 get employees active, as Mr. Burd will speak to, but the
7 government can emphasize prevention, as well, and support
8 healthy environments.

9 What you do here in developing and implementing health
10 policy has been essential over the history of our country
11 to improving public health, preventing disease and saving
12 lives. Government needs to look at incentives that
13 encourage healthy behavior. We should look for creative
14 solutions to address the barriers encountered by our
15 communities out there that don't have access to fresh
16 fruits and vegetables. We can't expect people to eat
17 healthy if they don't have access to those foods.

18 By the same token, we need to allow for safe places
19 for outdoor activity. We can't expect our children to be
20 active if they're in dangerous communities, and once again,
21 we should encourage funding for the medical education in
22 preventive medicine in primary care.

23 I've been touched by the efforts of the communities to
24 promote the health of their people, so impressed by our
25 country coming together and the groups out there dealing

1 with this issue, but I've been equally, if not more,
2 touched by the smiles and the laughter of the kids we meet
3 throughout the country.

4 We all have a responsibility and an opportunity to
5 make a difference, and I bring you these words today on
6 their behalf and, more importantly, on behalf of all the
7 children nationwide. I have made a personal commitment to
8 these children to help them realize their full potential.

9 So I ask you today to please join me, step up,
10 encourage others to take a role and yourselves play a role.

11 Thank you for this time and thank you for your
12 commitment to prevention, the Republican Policy Committee.

13 Chairman Alexander: Thank you, Dr. Baldwin, and
14 thanks for your advocacy, very effective advocacy, working
15 with the Surgeon General.

16 Steve Burd has already been introduced by Senator
17 Ensign.

18 I want to recognize Senator Richard Burr has arrived.
19 Senator Burr is one of the leaders in the Republican and in
20 the Senate in health policy. He introduced yesterday a
21 major bill on healthcare reform and we'll be going to him
22 for comments and the first questions after Steve Burd.

23 Steve, welcome. You've been talking both with
24 Democratic and Republican Senators for quite awhile. We've
25 all been very impressed. We appreciate the time you've

1 taken to come all the way across the country to be here
2 again, and we're getting to the point where I think all of
3 us will be specifically interested in the provisions you
4 think that ought to be in any legislation that will help
5 eliminate the obstacles to permitting employers, such as
6 yourself, to give incentives for wellness and for
7 prevention.

8 So we look forward to your testimony. Thank you.

9 [The prepared statement of Dr. Baldwin follows:]

10 [COMMITTEE INSERT]

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1 STATEMENT OF STEVE BURD, CEO OF SAFEWAY, INC.

2 Mr. Burd: Okay. Thank you very much, Senator. I,
3 too, appreciate the opportunity to address the Policy
4 Committee.

5 I'm going to try to take the Safeway story which I've
6 told often which I prefer to do in 45 minutes and I'm going
7 to collapse it to five.

8 Just as a basic set of numbers, everyone needs to
9 understand that we're a pretty large organization with some
10 200,000 employees. Of those 200,000 employees, we have
11 about 30,000 employees that would be non-union employees
12 and the balance would be union.

13 The reason I make that separation is that what I'm
14 going to talk about in terms of the progress that we've
15 made on healthcare, it affects both populations. We've
16 made more progress on the non-union side only because we
17 don't have to wait for the next bargaining event to make
18 that happen.

19 I'm absolutely confident, given my conversations with
20 the unions that represent Safeway's employees, that we'll
21 make the same progress in those environments, as well.

22 It all started in 2005. In 2005, we had healthcare
23 costs of roughly a billion dollars and they were increasing
24 at a rate of 10 percent a year. So in three years' time, I
25 would see a \$300 million increase.

1 We as an organization pride ourselves on our ability
2 to look at issues and problems and see if we can solve them
3 and this, to us, was initially just a cost problem. We
4 made a great discovery which I think was little known at
5 the time, may still be little known today, and that is that
6 70 percent of all healthcare costs are driven by people's
7 personal behaviors.

8 As a business guide, that was a large dose of good
9 news because it said if I could influence behaviors of
10 200,000 people, I could have a dramatic effect on their
11 health and therefore our costs.

12 Now, the second major discovery which the Governor
13 talked about earlier, the numbers are, you know, between 74
14 and 80 percent, but well-recognized in that range, you have
15 four chronic diseases which are consuming all these costs
16 and it's fascinating when you look at the chronic diseases,
17 the Number 1 disease in terms of costs is cardiovascular
18 disease, and yet 80 percent of cardiovascular disease is
19 preventable.

20 In other words, if we change our behaviors, we can
21 prevent that from occurring.

22 You've got cancer. The numbers range from 40 to 60
23 percent of all cancers are preventable through behavior
24 change. Then you've got diabetes. With most diabetics
25 being Type II, at least 80 percent of Type II diabetics are

1 preventable and in fact reversible, and then fourth, you've
2 got the conditions of overweight and obesity which really
3 affect all of these.

4 We've taken a very holistic approach to healthcare at
5 Safeway and, in essence, we're building a culture of health
6 and fitness, and I think the things that I want to talk
7 about which fit into that category of prevention and
8 wellness that are unique to us will be of keen interest to
9 the committee here.

10 We've made dozens of changes over the last four years.
11 Those changes have allowed us to keep our healthcare costs
12 on a per capita basis absolutely flat at a time when the
13 rest of business and American industry is up 38 percent.
14 We've done it by encouraging our employees to be healthier.

15 Last year, we introduced a program that's called
16 Healthy Measures and under the current law, it's important
17 that that be a voluntary program. Seventy-four percent of
18 our employees signed up for Healthy Measures and right now,
19 the four measures that we're focused on would be smoking,
20 second would be obesity, third would be controlled
21 cholesterol and controlled hypertension.

22 So what we've done is we've structured incentives so
23 that if you don't smoke, you have a lower premium in our
24 company. If you are not obese, you have a lower premium.
25 If you're -- it's okay to have hypertension but it must be

1 controlled. In fact, 17 percent of the people that were
2 measured discovered for the very first time that they had
3 hypertension and then cholesterol level, also people
4 discovered that they had high cholesterol, so they could
5 begin to do something about it.

6 We provide, if you have family coverage, the total
7 incentive granted to our employees is just under \$1,600.
8 The reason it's not more is the current HIPAA legislation,
9 in conjunction with ADA, actually limits the incentives
10 that you can provide.

11 When you consider that a smoker costs about \$1,400 a
12 year annually to insure, that extra cost, our incentive is
13 around \$312. We'd much prefer it be closer to the cost of
14 the behavior.

15 Obesity, our incentive is about \$312 for an individual
16 and again obesity costs are estimated to be something north
17 of \$800 and so that's clearly in an area where I think
18 Congress can make some change and you also need to make
19 some change in ADA because ADA works with HIPAA and it
20 further constrains what you can do in the workplace for
21 incentives.

22 I'm a firm believer that if you make changes on
23 incentives, if you make changes on cost and quality
24 transparency, provide electronic medical records, get some
25 of the inefficiencies out of the system, that consistent

1 with what Senator Ensign said in his opening remarks, you
2 can finance healthcare for the 47 million uninsured out of
3 the efficiencies in the system, and I consider behavior to
4 be the fuel that really drives the engine of change here.

5 The other thing that's unique about our program, if
6 you have a BMI Index of 36, which is considered obese, and
7 you make 10 percent progress in the next 12 months, we'll
8 write you a check to reimburse you for the premium
9 difference you had at the start of the year. We do the
10 same thing for smoking, cholesterol levels, and
11 hypertension.

12 It's my belief that 35 to 50 percent of our employees
13 will line up at the refund window at the end of the year
14 and so we just firmly believe that it's important for the
15 nation to -- you know, prevention and wellness is great,
16 but to me that's high-level discussion and we need to get
17 it down to the level of behavior.

18 Behavior really makes a difference and as much as I
19 would like to argue that we've been innovative, we've done
20 nothing more than borrow from the business model of the
21 automobile insurance industry where driving behavior
22 actually matters and there's a difference in premium. We
23 think that should hold true for healthcare and, you know,
24 there's no way to get healthcare costs down, I think we've
25 all said it, without making Americans more healthy and

1 incentives do a good job of accomplishing that.

2 [The prepared statement of Mr. Burd follows:]

3 [COMMITTEE INSERT]

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1 Chairman Alexander: Senator Burr.

2 Senator Burr: Thank you, Mr. Chairman.

3 Let me also welcome all three of you. Governor, great
4 to see you again. I think you've got a trip to North
5 Carolina pretty soon, if I remember.

6 I'm sure all of you have alluded to this and, Steve,
7 you alluded to it even in more specificity and that's that
8 prevention, wellness and disease management are absolutely
9 crucial.

10 As we sit here today knowing that there's going to be
11 some healthcare proposal over the next several months,
12 certainly before the end of the calendar year, it's my
13 belief that everybody that comes out with a healthcare
14 proposal is going to say, well, we do prevention, wellness
15 and disease management.

16 Yet, having worked on a bill, I understand that it's
17 extremely difficult to figure out how to create the right
18 incentive for prevention, wellness and disease management
19 to actually be carried out in a private or public system.

20 Mr. Burd, you were very created at Safeway, as was
21 dell, as was SAS, where, if employees didn't enroll, you
22 went the route of writing them a check or giving them a
23 financial incentive to do it because the dollars and cents,
24 you could prove.

25 And I guess the first question is to any of you.

1 Without truly addressing a model that promotes, creates the
2 incentive for an investment in prevention, wellness and
3 disease management, can we expect that we have had true
4 reform?

5 And two, is it possible, in your estimation, that you
6 can construct a healthcare reform that ensures private
7 insurers see the benefits of investing in primary care,
8 investing in the education for disease management, so that
9 the back end is that we severely affect downward pressure
10 on the cost of healthcare in the future?

11 I'll start at either end.

12 Governor Huckabee: Let me address a couple of areas.
13 One is I think it's very important that any of the
14 decisions made be made on the basis of good research and
15 good data.

16 One of the things that we did, we employed a company
17 Health Media out of Ann Arbor, Michigan, to evaluate the
18 things that we were doing for employee incentives. We
19 found that when employees participated in the incentive
20 programs, I didn't mention all of them because of the lack
21 of time, but when they did that, particularly in the
22 smoking cessation and the weight control and the activity
23 increase, they gave us back by research, by the data that
24 we have, \$3,300 a year in increased productivity per
25 employee. That's cash money back to the employer. That's

1 significant.

2 And I know that when Mr. Burd was talking about some
3 of the specifics, these are the kind of pieces of data I
4 think that become very important in presenting why this
5 approach of prevention is critical.

6 Another area that we saw real results on was in
7 childhood obesity. Robert Wood Johnson Foundation came to
8 our state, evaluated and recognized that we had become the
9 first and at that time the only state that had seen a
10 reversal in the trend of childhood obesity, from
11 skyrocketing trajectories upward to actually stopping and
12 seeing a slight decline.

13 We took aggressive approaches in everything from
14 school lunch menus to the presence of vending machines,
15 physical education and not just classes, that's a big
16 mistake thinking that if you have PE classes, you've fixed
17 it because if it's nothing more than the continuation of
18 competitive sports where a few kids play and most kids
19 watch, you haven't done anything but exacerbate the
20 problem, but true fitness approaches that tailor to the
21 individual student. When those approaches are made, there
22 can be quantifiable results.

23 I want to address also the issue of why don't more of
24 the insurance companies cover the wellness and prevention
25 models.

1 I sat down with a group of insurance CEOs because I
2 wanted to know how come it is that you'll pay \$35,000 for
3 the amputation of a foot but you won't pay for a visit to
4 the podiatrist to save the foot before it ever gets that
5 bad. Why do you pay a \$100,000 for a quadruple bypass but
6 you won't cover the cost of going to a nutritionist or a
7 trainer so the person could maybe prevent the quadruple
8 bypass?

9 The harsh reality is that we don't have a system that
10 makes it very practical. Insurance companies, like any
11 business, have to make a profit. They base it on the
12 actuarial tables and because the current system in America
13 is an employer-based insurance provider rather than the
14 personal and portable approach to insurance, the insurance
15 companies know by their research that the average American
16 will change jobs every seven years, if not less, and in the
17 change of the jobs, they'll also change insurance carriers.

18 Insurance companies simply cannot afford to provide
19 the front-end coverage of prevention when the real savings
20 will be in the outlier years when the likelihood is the
21 insurance company providing those provisions early in a
22 person's career are only making the coverage less expensive
23 for their competitor.

24 Now, if there was a system in which the person owned
25 their insurance and was likely to keep it for an extended

1 period of time, like we do our home insurance and our car
2 insurance, because it's personal to us and it's portable to
3 us, when we move we keep our insurance carrier in most
4 cases, then the incentives dramatically change. Then the
5 insurance company has a vested interest because if they
6 think they're going to be the insurance company for me in
7 20 or 30 years or even in 15, they're much more interested
8 in how I'm going to be costing in those years and there is
9 a dramatic difference in the costs between the prevention-
10 focused patient and the intervention-focused patient.

11 Senator Burr: Mr. Burd?

12 Mr. Burd: You know, I'd like to provide maybe sort of
13 a different angle on that.

14 First of all, I think our proof rests with our
15 numbers. The rest of industry's up 38 percent. Our costs
16 on a per capita basis are flat and that's not a cost shift
17 from the employer to the employee. That's the all-in
18 costs. That's their portion, plus the employer's portion.

19 I think what has made our program easier to implement,
20 Governor, is that we're self-insured and because we're
21 self-insured, we're free to design our own plan and we
22 actually saw a 13 percent reduction in costs in the very
23 first year.

24 We've added a series of benefits that we think create
25 better long-run cost control and that's why we're only

1 flat. Otherwise our costs would be down. If we had cost
2 and quality transparency, and I have some ideas on how we
3 could capture that, I would tell you that we would take our
4 costs down for another five or six years.

5 If you look at our numbers and some of the detail, our
6 obesity rate in our company is 70 percent of that of the
7 nation. That suggests we're doing something right in the
8 area of obesity. Our smoking rate is 70 percent of that of
9 the rest of the nation.

10 I would tell you that incentives work. You look no
11 further than the recent tobacco tax increases. I've
12 followed them closely. We provide 100 percent cessation-
13 free products to people that are smokers and a lot of
14 states do that.

15 The State of Michigan does that and when the tobacco
16 tax went up the equivalent of \$1 per day for the cost of a
17 pack-a-day smoker, the call center had an increase of 1,900
18 percent in its calls. California, which has the second
19 lowest smoking rate in the nation, had a 300 percent
20 increase in its calls.

21 Now that is a fractional cost of the real cost of
22 insuring a smoker and so I really believe that these
23 incentives make very good sense and as long as you are
24 really focusing on the healthier employees, you'll get that
25 productivity pop. You might not see it -- maybe not

1 everybody will see it in the first or second year they do
2 this, they will see it in productivity and they'll see it
3 immediately.

4 We have a feature in our healthcare plan which, as far
5 as I know, no one else does. It costs money. It's a
6 feature, I call it a Cancer Concierge Service. If any one
7 of Safeway's 200,000 employees are diagnosed with cancer,
8 they call a hotline. We walk them through on a hand-
9 holding fashion the diagnosis and treatment process and if
10 they would like, we connect them to a major cancer center
11 in the United States. That buys good health. It buys
12 great loyalty. So we don't have sort of the turnover
13 statistics of maybe some other companies. So we're
14 investing in our people. We think it works.

15 The last thing, not to occupy too much of the time,
16 but one reason why the insurance companies don't offer
17 plans like you describe is all too often the relationship
18 is with a human resources person, the benefits person in
19 the HR department.

20 They're not that eager to disrupt the work
21 environment. We have a non-smoking campus, all of our
22 stores, all of our distribution centers. That creates
23 calls to the benefits person and, you know, we have this
24 smoking incentive. So there's a differential premium for
25 smokers, but as CEOs get conversant in this subject matter,

1 I think they'll all be in favor of incentives.

2 Senator Burr: Mr. Burd, if I could ask you, quite an
3 undertaking by Safeway. I'm sure a lot of it was because
4 it was the right thing to do.

5 Could I ask you what percentage of it was because the
6 healthcare model that you had was not sustainable and you
7 were trying to put in place something that was sustainable
8 financially into the future?

9 Mr. Burd: I mean, clearly that was the initial
10 motivation, you know, this \$100 million annual increase in
11 costs and so once we discovered that we had figured out a
12 way to control healthcare costs, we thought we should share
13 that with everybody else.

14 I have told this story to more than 500 CEOs in this
15 country. I've walked the halls of Congress. I've talked
16 to more than 60 percent of the U.S. Senate, had
17 conversations with the White House. I just believe so
18 strongly in the benefits of doing this and there was a time
19 four or five years ago that I genuinely was concerned that
20 somebody might think nationalizing healthcare was a good
21 idea and it's really a bad idea because it will remove
22 forever the economic incentives to actually encourage the
23 population to be healthier.

24 Senator Burr: If I could go to Dr. Baldwin for a
25 second. Tremendous perspective on obesity in children. Is

1 it a diet problem or lifestyle problem or combination of
2 both?

3 Dr. Baldwin: Absolutely a combination, Senator.
4 There's so many factors that go into it and what I struggle
5 with when I go out and speak with these children is what is
6 going to motivate them to be active, to be healthy, to eat
7 right, and continuing on the last question and the
8 conversation we had about incentives, on Monday I was at a
9 school in Washington, right here, and I said, "What's it
10 going to take to get you to work out 60 minutes a day?"
11 This little child said, "Pay me."

12 And really that's the reality of the situation right
13 now and the way that you affect behavioral change is (1)
14 you could start with having somebody that is right there by
15 your side that's motivating you to get over that hump to
16 physical activity, (2) you see a role model, a public
17 figure, such as Governor Huckabee, such as a professional
18 athlete, someone that you look up to, hopefully you'd like
19 it to be your parents that you want to be like and they
20 enable you and empower you to have behavioral change, and
21 this just isn't with children but this is across the
22 country in all populations.

23 But what's really going to get people at the end of
24 the day to start changing their behavior is if you have a
25 choice to go and get a bottle of water or a bottle of soda

1 and if you get a bottle of water and we're going to give
2 you 50 cents back in your pocket or if you have -- you meet
3 these benchmarks at your workplace, we're going to give you
4 a rebate, that's what it is, and I believe strongly in that
5 incentive process.

6 I also believe strongly in the importance that role
7 models play for our children and that each and every one of
8 us out there has a role to play in affecting the behavior
9 of our kids. Kids just want to have fun.

10 Senator Burr: I've taken more than my share of time.
11 Let me once again thank all three of you and share with
12 you, Mr. Burd, I'm not yet convinced that we shouldn't be
13 scared of government-run healthcare.

14 I think that that's still on the table and I think the
15 only way to make sure that that doesn't happen is to learn
16 from what you've done as a self-insured company and others
17 around the country, to look at the incubators of
18 breakthroughs, like Governor Huckabee talked about, to
19 listen to folks like Dr. Baldwin who, quite frankly, put in
20 our face the realities.

21 If you want to solve obesity, you've got to think it
22 different than we've been doing it and I think that's what
23 you've applied at Safeway. It's what other companies have.
24 It's what the states have done.

25 My hope is, and my belief is, that we've got to come

1 up with a product at the end of the day that's superior or
2 the punt to will be just put more money in it, cover more
3 people, but don't reform the system, and I've heard it from
4 all three of you. If you don't reform the system, then we
5 will just have a bigger mess two years from now than we
6 have today.

7 I thank you.

8 Chairman Alexander: Thank you, Senator Burr.

9 We've been joined by two other members of the
10 Republican leadership in the Senate, Senator John Cornyn of
11 Texas and Senator John Thune of South Dakota, and I've
12 talked with Senator Ensign.

13 What we'll do is go to Senator Thune for questions and
14 comments, then to Cornyn, then Senator Ensign will resume
15 chairing the hearing.

16 Senator Thune.

17 Senator Thune: Thank you, Mr. Chairman, and I want to
18 thank our panelists. Governor, nice to have you here. Mr.
19 Burd, Dr. Baldwin, for sharing your insights.

20 Maybe Lamar already mentioned this, but we've had this
21 discussion amongst ourselves that, you know, this
22 generation of Americans will be the first generation of
23 Americans that doesn't outlive their parents. That is a
24 stunning statistic when you think about the fact that we're
25 spending 17 percent today of our GDP on healthcare and what

1 are we doing to effect, you know, the overall outcome and
2 the longevity of our citizens in this country. To me,
3 we're obviously spending money in the wrong places which
4 begs the question about how do we fix this problem.

5 I know that in my state of South Dakota, we have acute
6 problems, particularly on our reservations, with diabetes
7 and obesity and it seems to me at least that many of those
8 issues are impacted, as has already been mentioned, by
9 behavioral change, lifestyle changes, and I guess I'm
10 interested in just sort of hearing, and this is more from
11 a 30,000-foot perspective perhaps, Governor, you've done
12 some, as governor, some very innovative things in your
13 state in that regard with regard to healthcare policy.

14 Mr. Burd, you obviously have innovated in a corporate
15 setting and had a lot of success in impacting outcomes,
16 driving down costs and whatnot.

17 Just to get your thoughts about how do the experiences
18 that you've had in sort of the laboratories of change which
19 are the state governments and in the corporate sector
20 translate into federal policy changes that we're looking at
21 making here.

22 We all agree that we've got to have some sort of
23 financial incentive to change behavior, but prevention and
24 wellness is such an important component of any debate about
25 healthcare reform and yet we struggle with how do we bring

1 about, how do we implement those types of changes.

2 Dr. Baldwin, I certainly would welcome your
3 perspective on that, too.

4 But as we go about this debate of healthcare reform,
5 we're looking at the possibility -- you know, there's a
6 philosophical debate here about whether or not we're going
7 to have a national sort of single payer system in this
8 country. Some believe in that. I don't happen to. I
9 think that we ought to encourage and fix out ways to make
10 our free market system work better and many of you have had
11 success doing that.

12 How do you translate that into some big federal policy
13 change or reform with some of the things that you've had
14 success with at your level?

15 Governor Huckabee: A couple of observations. One is
16 I would highly engage the governors across the country for
17 the reason that virtually every governor in America is
18 probably his or her state's largest employer. In most
19 states, the state government is the largest single employer
20 within that state.

21 I don't know of many exceptions. I know that in my
22 own state, it would take all the employees of Walmart and
23 Tyson Foods, two fairly large and recognizable companies
24 combined, and they still wouldn't equal the number of state
25 employees in total.

1 The second thing is that most Medicaid Programs within
2 the state represent the largest insurance pool that exists
3 in that state. So governors are going to be approaching
4 this as acutely as anybody in the country because they're
5 CEOs of both the largest employee pool within their state,
6 the largest insurance pool within their state, and every
7 single governor is faced with a huge fiscal crisis in large
8 measure driven by the runaway costs of healthcare in those
9 two programs.

10 So they're going to look for innovations, but they're
11 often stymied by either roadblocks in the law or just
12 roadblocks in the culture, but those are the laboratories
13 where, along with the companies like Safeway, and I want to
14 tell you I don't know of anyone in the country who's done
15 anything more innovative than what Steve Burd has done at
16 Safeway and he's done exactly the kind of model that needs
17 to be held up at the national level, to prove that
18 incentives work, that there is a way in which these costs
19 can be contained, but, more importantly, it's not just
20 about holding down costs.

21 We can hold down costs by cutting benefits and raising
22 deductibles, but the long-term cost is more expensive than
23 less expensive because it means unhealthier people, greater
24 levels of chronic disease.

25 The model that he's approaching actually results in

1 lifestyle changes that results in quality of life for the
2 people and longer life and less expensive life.

3 So the states are a great laboratory for this to
4 happen, but one thing that I'm hoping will happen in this
5 debate in Washington regarding healthcare, this is not an
6 issue that can be resolved in an election cycle. It's a
7 generational issue. It's going to require a long-term
8 commitment to fundamentally changing the system itself
9 which is at this point not really a system and a couple of
10 examples.

11 The average physician in training gets 11 hours in his
12 entire medical school training on the issue of diabetes,
13 yet he will see more diabetes cases than probably any other
14 one condition. So how we train doctors, how we deal with
15 the issues at the insurance level.

16 We reimburse for procedures, not for quality. Doctors
17 get nothing in the way of incentive if their patients
18 actually lower their blood pressure, lose weight, take more
19 steps. They get reimbursed for procedures.

20 What if we had a system that not only reimbursed for
21 the processes and procedures but actually reimbursed both
22 the patient and the physician with incentives for the
23 quality of healthcare delivered and that's a real important
24 factor that's not often brought into the mix.

25 The final thing I want to mention in terms of

1 generational change, we've seen it already. In my
2 lifetime, I like to point to four major transformations of
3 culture and this is really what we're talking about, a
4 cultural change.

5 But if you think about it, litter, seatbelt use,
6 smoking, drunk driving. Roll the clock back to the late
7 '50s/early '60s on all four of those issues. If this
8 meeting had been held even 30 years ago, there would have
9 been ashtrays and half this room of adults would have been
10 smoking during a hearing. If someone lit up a cigarette in
11 here today, we would all attack them because the culture
12 has dramatically changed.

13 When I was a kid, nobody had a seatbelt in his car.
14 That was unheard of. It wasn't even -- it was an
15 aftermarket device. You had to go and have it put in and
16 if you'd gone to a mechanic in my state and said I'd like
17 to put in a seatbelt, he would have looked at you and said,
18 "You want to do what? You want to strap yourself in a
19 car?" They would have thought you were crazy to have done
20 that.

21 Now, every state but New Hampshire now has a seatbelt
22 law requiring it and, of course, their motto is Live Free
23 or Die. So there's a different reason for New Hampshire.

24 But my point being is that in all of these areas, and
25 that includes litter and drunk driving, we've seen dramatic

1 changes in the way we approach these issues because there
2 are cultural changes. I suggest there were three stages.

3 First, attitudes changed, secondly, the atmosphere
4 around these issues changed. Thirdly, there was action.
5 We codified into law what had become a new behavioral norm.
6 That's government's involvement. Government has a role to
7 help influence through the attitudes, to help influence
8 through the adjustments of the atmosphere in terms of
9 taking the ashtrays away and putting no smoking signs up,
10 but ultimately the role of the government is not -- it
11 can't tell people what to do or not to do.

12 But once the culture has shifted and people have
13 adopted a different cultural mindset, then the government
14 does need to move to capture and to codify the new
15 behavioral norm, but if they try to create the behavioral
16 norm by mandate, it will have disastrous consequences and
17 one of the concerns I have when I hear about national
18 health reform is that the government is going to go in and
19 nanny state us into behavioral changes without the
20 incentives, without the kind of cultural transformations
21 that are necessary.

22 Chairman Alexander: We want to hear from Dr. Baldwin
23 and Mr. Burd on that, but I want to make sure Senator
24 Cornyn has a chance to make a comment or ask a question
25 while he's here. So, Senator, you want to go next here.

1 Senator Cornyn: Well, thank you, and we're delighted
2 to have you here, Governor and Doctor and Mr. Burd. Thank
3 you for being here.

4 I apologize if what I'm going to ask has already been
5 covered, but it really is something that I think's at the
6 core of the problems we have today with regard to
7 healthcare and making -- empowering consumers and patients
8 as opposed to the government to make healthcare decisions
9 on our behalf.

10 Mr. Burd, I know that at Safeway, you have obviously a
11 big company with an ability to collect a lot of important
12 information about costs and outcomes of healthcare
13 procedures, and I recall you talking about just the
14 variations in costs of common procedures like
15 colonoscopies, and I'm just wondering if you would tell us
16 -- I know you've said this before, but I'd like for you to
17 repeat it.

18 What can we do to empower patients and consumers with
19 information about costs and outcomes that will make them
20 smarter, smarter consumers, so they can make decisions
21 about their healthcare instead of the government rationing
22 care?

23 Mr. Burd: Sure. I'd be happy to. I think the main
24 role of government here would be to remove the obstacles so
25 that a free market is capable of working. Markets can't

1 work unless consumers have information about cost and
2 quality and then unless those consumers have consequences.

3 To go back to your example of the seatbelt, those
4 automobile insurance companies, should you be ticketed for
5 not wearing a seatbelt, your premium will go up because
6 your behavior is inconsistent with low-cost automobile
7 insurance.

8 Under the 1996 HIPAA legislation, there is a little
9 known provision in that legislation which allowed companies
10 to differentiate premiums for their employees to the tune
11 of 20 percent of the cost of that care and so we looked at
12 that provision and decided to act upon it and so that
13 limit, though, is too limiting.

14 Earlier, I mentioned that let's take an employee who
15 has family coverage and there are two people in the family
16 that smoke and are both obese. The cost of the two smokers
17 is \$2,800. The cost of being obese is another \$1,600 and,
18 you know, we only have about \$1,500 to \$1,600 worth of
19 flexibility.

20 You will clearly drive a change in behavior if you
21 increase those limits and the way the market will work,
22 Safeway and other quick early adapters will take advantage
23 of that and will have lower healthcare costs and, frankly,
24 healthier employees who are more motivated and loyal and
25 we'll win in the marketplace, and eventually the

1 marketplace will have to adapt the same thing.

2 There's also a companion legislation which is ADA
3 which has to be read in conjunction with the HIPAA
4 provisions which also are somewhat limiting. So my advice
5 on this issue is in fact to raise those limits and adjust
6 the language in ADA.

7 The other thing that you talked to, Senator, was
8 transparency on costs.

9 There's a tenfold difference in the cost of a
10 colonoscopy within 30 minutes of our office. There's a
11 fivefold difference in the cost of a standard blood test
12 within 10 minutes of our office and people don't normally
13 know about those differences.

14 We are cobbling together a transparency model for our
15 employees so that they'll put their zipcode in on the
16 health site. They'll look at the different places where
17 they can get a colonoscopy procedure and then we will limit
18 what we will pay and so they're welcome to have the \$7,000
19 colonoscopy but we'll pay \$1,200 and we pay for 100 percent
20 of that kind of prevention but only at a reasonable cost.

21 Senator Cornyn: I confess to being a little
22 apprehensive about bargain basement colonoscopy, but we
23 won't go there.

24 Mr. Burd: Yeah. Well, I think you probably know we
25 won't go there, but the difference -- cost and quality are

1 not necessarily correlated. I think Dr. Baldwin could
2 confirm that. Cost and quality are not always correlated
3 and that's why you need quality information about these
4 procedures, as well.

5 Senator Cornyn: Right. Thank you very much.

6 I want to just ask one more question and, Governor
7 Huckabee, let me just ask, based on your experience at the
8 state level and your observations of what's happening here
9 nationally with regard to how much money we spend on
10 healthcare which maybe I should call it sick care since we
11 don't spend a lot on healthcare, we spend a lot once you
12 get sick but not keeping people healthy, but there's some
13 folks here in Washington who seem to think that 17 percent
14 of our Gross Domestic Product is not enough money. We need
15 to spend more and they say if we spend more, then we'll
16 actually save more later on.

17 Besides being kind of counterintuitive, have you ever
18 seen the Federal Government increase spending in any sector
19 of the government and then on the promise that some day
20 somehow some way later on we're going to save money, and
21 what is your prospect of that happening in the healthcare
22 area?

23 Governor Huckabee: Well, the level that we spend out
24 of our GDP is already unacceptable and it's about -- for
25 example, if we were spending 11 percent instead of the 17

1 percent, it'd be about a \$7-800 billion a year savings.

2 There's more than enough money within the system and I
3 believe that either Dr. Baldwin or Steve Burd may have
4 alluded to this. Our problem is not that we don't have
5 enough money in the overall expenditure. It's that we're
6 spending it in the wrong places and when most of it is
7 being driven to the expressed expenditure of a handful of
8 people who are really, really desperately ill with chronic
9 diseases, then there's not enough to cover sort of the
10 basic healthcare needs.

11 We can cover every child, every young adult. It's not
12 that we don't have an amount of money necessary, but it's
13 that we're misspending it because we have not changed our
14 approach from a true sick care system to a healthcare
15 system.

16 And one of the challenges that I urge you to consider
17 is that any changes at the federal level will have a
18 dramatic impact upon the states. For example, if new
19 requirements are that Medicaid cover certain things, you're
20 going to have a dramatic impact on state budgets that are
21 already hemorrhaging and in many cases sucking air.

22 This is another sort of maybe unforeseen consequence
23 of a national approach. The private sector approach, even
24 state by state approach, where the ideas are tested, proven
25 and then implemented make a lot more sense than taking a

1 theoretical idea at the national level, hoping it works,
2 but most likely it won't, and a great example, as I've said
3 many times, the Number 1 economic issue in America is the
4 healthcare issue. It's not just a health issue, it's the
5 economic issue.

6 Toyota has a \$110 of healthcare in each car they
7 build. GM has \$1,500 of healthcare in each car they build
8 because of the Legacy costs related to older employees who
9 have chronic disease. We wonder why the car industry is in
10 trouble.

11 A lot of is not about the cars, it's about the cost of
12 the healthcare of the people who built the cars 30 years
13 ago and until we start addressing those issues, we're going
14 to see increased economic challenges that we're not
15 addressing.

16 And my great concern when I hear the national debate
17 about let's get the national government, the Federal
18 Government involved, single payer would be the single
19 greatest disaster if, for no other reason, it takes every
20 incentive away for doctors, pharmaceutical companies, and
21 university researchers and everyone else to start being
22 innovative in coming up with the new modalities that can
23 actually save lives and save money.

24 Chairman Ensign: I want to explore, you know, we have
25 not only the private market out there that Steve Burd has

1 talked about as changing some of the incentives but we
2 also, we have the FEHBP for federal employees. We have
3 Medicaid and obviously Medicare being a huge program and as
4 well as many of us would like to see, for instance, the
5 small business health plans be able to join together and to
6 be able to develop legislation when they join together to
7 be able to put in the incentives, as well.

8 So these are all things that we're working on and
9 we're thinking through, and I guess I want to, Governor,
10 start with you on the Medicaid aspect.

11 What incentives would you suggest that we put in
12 because, you know, you all have talked about basically
13 these four conditions, you know, focusing on these four
14 conditions where most of the costs are. You know, if you
15 focus on 500, you know, it's too many.

16 But if you just focus on a few, and how would you
17 structure maybe putting the incentives, for instance, for
18 Medicaid?

19 Then, Dr. Baldwin, I'd like for you to maybe comment
20 also at the national level, maybe FEHBP or some of the
21 other things.

22 Governor Huckabee: The greater level of flexibility
23 is the single most important tool that governors have.
24 Every state has slightly different populations, different
25 risks, but there are certain things that are common.

1 The greater level of flexibility and that was a fight
2 that I know I had when I was Chairman of the National
3 Governors. We came to both the House and Senate and got
4 some reforms that all the governors, every one of them,
5 agreed to and that was helpful.

6 But what we need are ways in which to implement
7 different approaches. For example, in diabetes, rather
8 than saying everybody needs to go to an endocrinologist,
9 which is not realistic and the endocrinologists cannot
10 spend 30-40 minutes with a patient, we created 27 diabetes
11 education centers with carefully-trained diabetes
12 educators.

13 If you can't prevent the disease and then you're
14 unable to reverse it, then, for heaven's sakes, at least
15 manage it and the best way to do that is to have people who
16 are trained to work with the diabetics so that they can
17 manage their disease.

18 The same thing true with blood pressure. It doesn't
19 always require a physician, but we do have to have an
20 ability to reimburse the people who are providing it and it
21 may be at a much reduced cost than if you drive that person
22 to the physician themselves. That's one way.

23 Reimbursing for the programs, like the smoking
24 cessation, the weight loss, those are very valuable tools
25 in the toolbox to get people to change their behaviors, and

1 then the incentive rewards. We found that when we started
2 --

3 Chairman Ensign: Do we at the federal level, I mean
4 do we just allow states to do that or do we actually put in
5 -- in other words, you know, should we say to the states
6 we'll match X reimbursement if you'll do this?

7 Governor Huckabee: In some cases, the mandates within
8 the Medicaid Program require that it be provided by a
9 certain vendor and a lot of that is due to the politics of
10 those vendors having a wonderful presence to say we have to
11 provide it. Then they complain about that the level of
12 reimbursement is inadequate, which it isn't, but that's
13 part of it, but when the state is paying a significant
14 portion of the Medicaid, that partnership still means a
15 huge cost to the state.

16 So what most states tend to do is just not provide it
17 at all because not providing it is less expensive than
18 providing anywhere from 25 to 60 percent of it.

19 Chairman Ensign: Okay. Dr. Baldwin.

20 Dr. Baldwin: Yes, Senator. Some great points made
21 recently by the Governor and Mr. Burd that I'd like to
22 comment on which worries me a great deal.

23 When we talk about the money being spent on
24 healthcare, it's not being spent wisely and let's say that
25 we do have a shift from sick care to rewarding prevention

1 and healthy behaviors. We need the physicians, we need the
2 public health educators to deal with them and to take that
3 on, and currently preventive medicine residency programs
4 are not being recognized. They're not -- they're paying
5 \$10-20,000 a year primary care physicians.

6 I know that my colleagues and up and coming medical
7 students are not going to go into the primary care field if
8 they're not going to be reimbursed for the care that
9 they're providing and if they're not going to make the type
10 of money that their fellow peers are making in specialties.

11 So we need to make sure that the money that we are
12 putting towards healthcare is being allocated to those
13 treatments and those things that we need to do in education
14 upstream and if those people aren't in existence, it's not
15 going to happen and so I really urge you, you know, to look
16 into providing funding. If someone wants to go and be a
17 primary care provider, pay their way through medical school
18 and think outside the box on ways that we can make that
19 happen.

20 Chairman Ensign: Right. We have -- as you know,
21 Medicare pays a large portion right now of graduate medical
22 education and we had this discussion yesterday in the
23 Finance Committee about indirect graduate medical
24 education, that 50 percent of it is taken up by five
25 states.

1 In large hospital settings, that isn't the way that
2 most people practice today and you just mentioned the
3 preventive, you know, residencies out there are really the
4 way that most doctors are -- we're not training our doctors
5 the way they're practicing today is the bottom line and
6 that was a point that I made very strongly yesterday in the
7 Finance Committee.

8 We need to, you know, change and that's the largest
9 portion. The indirect is the largest portion of the
10 graduate medical education dollars for Medicare and I
11 obviously hope you can work with the White House and try to
12 help us change this because the politics are such that
13 those five states don't want to give up that money and, you
14 know, they're -- and by the way, they aren't the biggest
15 population states. They aren't California, they aren't
16 Texas, and they aren't Florida, and so it's pretty
17 remarkable that five states without -- you know, a couple
18 of them are, you know, decent size populations, but they
19 aren't the biggest population states and they still get 50
20 percent between those five states of that money.

21 Mr. Burd, if -- I know we've talked and you've talked
22 about what Safeway did on reporting.

23 One of the proposals that has been kicked around is
24 this idea of if you can get doctors to practice best
25 practices, if you can maybe give them a safe harbor if

1 they'll do two things, practice best practices but also
2 self-report.

3 You've talked about needing more information out there
4 best Safeway had to create your own information for your
5 employees on how much a colonoscopy is in your area, on how
6 much various procedures based on cost and quality, where
7 the Federal Government has a lot of that information
8 already, but we can even have a lot more of it, for
9 instance, if doctors were reporting and they knew that they
10 could self-report without that then being used in a lawsuit
11 against them.

12 That is something that I think that, you know, we need
13 to look into when we're doing this healthcare reform
14 legislation, but, Mr. Burd, could you elaborate more on
15 what you had to do to put all of this information together
16 and also if you could maybe give the example that I heard
17 you give on Lipitor, once again providing information to
18 your employees?

19 Mr. Burd: Sure. I'll do the Lipitor example first.
20 There are, you know, 11 or 12, maybe even more, different
21 cholesterol-lowering drugs that people can take and as a
22 branded drug that was the most expensive.

23 So one of the things we did was we just completely
24 flipped our co-pay tables in our healthcare plan so that we
25 knew what we were -- what we would pay for a generic drug

1 and we altered the co-pay on the branded alternatives so
2 that the co-pay on that particular drug today is \$70 versus
3 five for a generic.

4 We sent a letter to all of our employees and said, you
5 know, please consult with your doctor. We believe that in
6 85 percent of the cases, you know, a generic will work and
7 if we got a letter from their doctor that said they'd tried
8 the generic and only this drug worked, then we would give
9 them the same co-pay as we would for a generic and so we
10 did that across 13 different categories of drugs and it had
11 a major effect. We got dramatic switches to the generic
12 drug and always in consultation with the doctors.

13 To your last question about Medicare, I mean to me,
14 it's pretty clear that Medicare has to follow the kind of
15 model that I'm advocating for the private sector because we
16 don't want behavior to matter only when you're employed and
17 then when you retire, it no longer matters, and I think --
18 I'm no expert on Medicare, but one of the more difficult
19 things with older patients is they don't always take their
20 medications on time.

21 We operate over 1,300 pharmacies and I can tell you
22 that the compliance with the regimen is only about 65
23 percent and so if you choose to for three days not take
24 your hypertension medication that will expose you during
25 those three days to an event.

1 You can incentivize diabetics. I think you know my
2 wife is a 48-year diabetic. For every 1,000 diabetics,
3 there are 217 visits per year to emergency. In 48 years,
4 my wife hasn't had an emergency visit because she's well
5 controlled. So we'll probably make some changes to our
6 healthcare plan next year that will provide some incentives
7 which, in all likelihood, is going to be free products
8 instead of any co-pay to diabetics that are controlled and
9 you can do that with Medicare, as well.

10 I think the opportunity to innovate here is absolutely
11 infinite. I mean, it's infinite on the insurance employer
12 side, it's infinite on the provider side. You're probably
13 familiar with what InterMountain has done in Salt Lake
14 City. They discovered that a real cost in a lot of their
15 surgical procedures were post-operative infection. So they
16 basically -- they were meeting the standard provided by,
17 you know, I guess AMA or others and they decided to reduce
18 their rate of infection tenfold by giving antibiotics in
19 advance of the surgery. They then lowered the cost of
20 their surgical procedures and took business from cross-town
21 rivals. That's the way the market works.

22 And on the issue of prevention and wellness, you know,
23 I like to think of behavior as a form of currency and the
24 better -- the healthier the behavior, the more currency you
25 have and that currency is used to buy down your medical

1 costs, but there's -- predominantly, I think, markets work
2 and in all free markets, costs go down and quality goes up.
3 We can have that experience in healthcare.

4 Chairman Ensign: Well, I want to thank -- I know we
5 told you all that it'd be an hour today and we've already
6 gone over that as normal in the U.S. Senate, but I want to
7 thank all of you for what you're doing out there and to
8 encourage you to continue.

9 This is really, I think, the key to healthcare,
10 actually making it a system that will work for all
11 Americans at less cost and obviously have people living
12 better quality lives. So I appreciate all of -- all three
13 of you. You were a perfect panel for us today to be able
14 to have from three different perspectives and I appreciate
15 what you're doing.

16 On a personal level, you're all showing -- I know,
17 Steve, you didn't mention your own family's, you know,
18 heart history and quite significant.

19 We do have to get some of these advocacy groups to
20 change their mental thought processes, as well. I mean,
21 I've heard that the American Cancer Society, for instance,
22 is against us providing incentives for decreasing tobacco
23 use, other than tobacco taxes. They don't want to see a
24 change as far as premiums are concerned which doesn't seem
25 to make any sense. It would seem anything we can do to

1 decrease tobacco use in this country would be a very good
2 thing for, you know, all Americans and so I think that
3 that's something that we need to continue to work with all
4 of the various advocacy groups and even with obesity.

5 I know, you know, there are some people who, you know,
6 genetically, there's not a tremendous amount they can do,
7 but the vast majority of people who are obese, it is
8 strictly behavioral. It is, you know, it's not something
9 that they can -- you know, it is something that they can
10 overcome.

11 I mean, Governor Huckabee, you're a great example of
12 somebody who turns his life around, and, I mean, you don't
13 have to become a marathon runner like you did to do it, you
14 know. You can do it with real common sense things and I
15 think if we provide the proper financial rewards for folks
16 and use a carrot and stick type of an approach, whether
17 it's Medicare, federal/private insurance, Medicaid, all of
18 the various programs that we have out there, I think that
19 we can turn this thing around and truly end up with a
20 healthier society.

21 So I thank all of you for being here today. You're an
22 excellent, excellent panel and thank all the Senators, as
23 well.

24 [Whereupon, at 11:18 a.m., the hearing was adjourned.]

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