



Mitt Romney Talks Health Care Solutions

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Yesterday, HUMAN EVENTS Editors Tom Winter, Jed Babbin and Allan Ryskind interviewed former Massachusetts governor Mitt Romney about health care reforms now being considered by Congress and his experience in creating the state plan for which he is well known.

The following is an edited transcript of the interview.

Jed Babbin: Governor Romney, thank you for joining us. We wanted to talk to you today about health care. One of the things we're seeing right now is this rush to judgment. [House Energy and Commerce Committee Chairman] Henry Waxman is marking up the "Obamacare" bill as we speak. It seems that there's going to be an imposed cost both in patient care and on the taxpayer from this approach. What are the biggest defects you see in the Obamacare approach?

Gov. Mitt Romney: Well, it's filled with so many defects it's hard to know where exactly to begin. I'd say from a process standpoint the idea of rushing through a piece of legislation which will define the health care system for this country is a very bad idea. The right approach is one which includes extensive analysis, evaluation of systems that have been implemented in other countries and in other states, a bipartisan effort which includes different perspectives and views, the inputs of physicians, patients, advocacy groups, hospitals, business, and labor. This should be a very inclusive and extensive process, and President Obama, out of an apparent desire to score a victory, is not willing to give health care the deliberative process it deserves.

That which we have learned about his plan has a number of obvious flaws. The first is insistence on establishing a government insurance program. There is simply no reason for doing that other than to open the door to a single-payer system. Which, of course, is what liberals have long pined for and what Barack Obama campaigned for.

The nation already has over a thousand private insurance companies, many of the

largest of which are not for profit, so his excuse for forming the public government option --that it's necessary to give people choices -- is obviously fallacious.

The ongoing problems which a government plan would encompass would be massive subsidies down the road, crowding out of private not-for-profit enterprises and ultimately the imposition of a government-controlled system, or what would be at that point about one-fifth of our economy. It's a bad idea and should be rejected.

JB: Governor, we have a bunch of alternatives to the Obamacare plan emanating from Republicans who, I think, are getting a bad rap for having no alternative ideas. Have you seen any that attract you? What are the general things that you like about the Republican alternatives?

Romney: Well, I've seen Paul Ryan's plan. I've seen the Wyden-Bennett plan that is a bipartisan plan. Sen. McCain proposed a plan during his presidential bid. Congressman Tom Price led with a plan today, and, of course, I had a plan during my presidential bid.

When it comes to suggesting that Republicans are the party of "no," I hope people remember that there is only one state that has coverage for all of its citizens, and it's Massachusetts and it's something that a Republican governor was able to accomplish. So Republicans have views and plans and our plans have a number of positive features.

First, every one I've seen gets our citizens insured, and does so without establishing a government insurance program. And also does so without creating a trillion dollar obligation of the taxpayers of the nation. And that's what I think is critical. We have proven in Massachusetts that you can get everyone insured without having to break the bank. You can get everyone insured without having government institute an insurance plan. And whether you like our Massachusetts plan or not, it proves those two things, and there are some others that have other features that are perhaps just as good or better than those that we devised in Massachusetts. They ought to be evaluated, scored by the CBO and given the kind of thorough analysis that a topic as big as healthcare deserves.

JB: I'm a 17-year cancer survivor. I think America has the best care on the planet right now, and I am very concerned about the Obamacare elements that appear to place bureaucrats in between the patient and the doctor. How key is the doctor-patient relationship in your mind? How did you handle that in Massachusetts?

Romney: Well, in Massachusetts, the relationship between the doctor and the patient was not affected in any way whatsoever, and the reason I say that is because people were allowed to choose, in their own free manner, the insurance company and insurance plan of their choice.

There is no government option in Massachusetts: there is simply the availability of the various insurance programs that are offered by the private market-based insurance companies doing business in the state. So if people were happy with the system they had, and the insurance they had, rather, then they are certainly welcome to keep that, and if people who are coming into the system want to choose a plan, they are given access to all of those available in the state.

I think it's critical that we maintain the best part of America's health care system, and that relates to patient choice, the access to the best technology in the world, the incentive that creates innovation and technology advances in health care, the attractiveness of health care for the best and brightest in our society. All of these features help make ours the best health care system in the world. At the same time, we have to recognize that there are two major challenges which our health care system faces. The first is that we have a number of people who don't have insurance -- some choose not to, they're free-riders on other people and that we should end, and, secondly, our health care costs are going through the roof, and that also can be dealt with and improved, and I'm convinced that's a topic that should be part of this overall health care reform.

Tom Winter: How are you handling the people who cannot afford to buy their own insurance?

Romney: The various Republican plans deal with that issue in different ways. In Massachusetts, we found that about half of those that didn't have insurance could afford to buy it if they were offered an exchange that allowed them to access individual policies. Then there were those who could not afford to buy insurance entirely on their own. They could pay some of the premium but not all of it. In our case, what we did is we took the money that we had been giving to hospitals that gave out free care, and instead of giving it to hospitals, we used the same money to help people buy insurance. That was the great insight we had in creating our own plan. Instead of paying hospitals to give out free care, we used those same funds to help people purchase their own private insurance.

The plan that I proposed was a “break even” plan, meaning it didn’t cost the state any additional funding. The legislature decided to make it a more generous plan than the one that I proposed, and as a result the cost which they forecast for this last fiscal year was \$725 million, as I recall. The forecast for next year is about \$723 million, so it’s pretty much on plan. The net cost to the state is about \$350 million. But that, in my view, could be brought down to 0 net cost by reining in the coverages that are required under the Massachusetts plan and by increasing the payments that are required to people who get subsidized care.

TW: Did you have federal help in paying for some of this?

Romney: Yes, but the source of federal funding that helps hospitals that give free care is known as the Disproportionate Shares Hospital payments -- the DSH is what it’s commonly referred to. Massachusetts received DSH payments as, I believe, every other state in the nation receives. We received permission from Secretary Leavitt and before him Secretary Thompson that divert those funds. Instead of them going to the hospitals, we used those federal funds to go instead to help people buy private insurance. So we’re taking money that already came to the state, and diverting it from hospitals the subsidy for individuals to buy insurance. It seemed to be a more cost-effective way to get people the care they needed.

Allan Ryskind: I don’t know whether you’ve seen the *National Journal* from July 18, but it suggests that there was a \$600 million cost to the state in 2007, and now they’re projecting \$1.3 billion. It quotes people, liberals and conservatives, who are saying basically that the costs are out of control and there really isn’t any cost containment. The Cato Institute and the Galen Institute, which are conservative, are basically saying the same thing. What do you have to say to that?

Romney: There’s a frequent confusion between two different topics. One is the topic of the Massachusetts Plan which was designed to get people who were uninsured into the insurance system, and that’s working as planned, and almost precisely as budgeted, as forecast by the conferees who put the final bill together. As I indicated, the forecast for FY 2009 was a gross cost of \$725 million and it turns out that next fiscal year the forecast of the actuaries is going to be slightly less than that, about \$723 million. That’s about as close as it gets. The net cost is about half that figure, about \$350 million.

An analysis of our plan was carried out by one of the watchdog groups in

Massachusetts called the Massachusetts Taxpayer's Foundation. It's largely a business-sponsored watchdog group. They've carried out, I think within the last month or so, a complete evaluation of the system and they concluded that it is on budget within the forecast it was originally made, and it is a modest amount of funding to get our citizens insured. Now, I've also indicated that I would make some changes to the system if I had the ability to do so. I don't, of course, but I would rein in what I think are some of the excessive coverages and at the same time I would increase some of the coinsurance payments by beneficiaries and in doing so bring it to break even. But it is in no way an out-of-control or above budget forecasted at the time of the bill's signing.

Then there's another issue, however, and that's the fact that the cost of health care, generally in Massachusetts, like the rest of the nation, continues to rise at a very high rate. Health care inflation in America is very, very high. In Massachusetts, it's higher than average even. That is not something which we were able to deal with at the state level, and, in my view, that's something that can be dealt with in Washington in part because the federal government sends out Medicare and Medicaid, which comprise about 50% of all health care spending in this country.

Washington can help make health care more market-oriented rather than the kind of more control or subsidy orientation which it currently has. Our current fee for service system creates the absolute wrong incentives for both patients and doctors and is what's driving the health care cost in this country higher and higher.

But the Massachusetts experience related to one key area: Getting people insured. That it's done, and it's done it at a forecasted cost. Another issue is one which Massachusetts did not deal with, which is how to stop the extraordinary health care cost inflation which afflicts the entire nation.

TW: Has anyone -- any congressional committee -- come up to Massachusetts to look at what you've done?

Romney: I don't know that a committee has been there. I get a number of calls from Republicans asking me to describe what we've done, and I've made available to a number of Republican congressmen and senators the people on my team that helped construct our plan. I know that Sen. Bennett and I have spoken a number of times and his bill, the Wyden-Bennett bill, is very similar to what our plan did and it has some other features as well that make it, I think, a very attractive piece of legislation.

There have been some efforts on the part of Republicans to contact me and learn what I may provide, and I presume on the Democratic side there's been some contact. I'm sure Sen. Kennedy has his own views on the topic.

TW: In holding down costs, the conservatives have traditionally pointed to health savings accounts, MSAs, HSAs, etc. Don't you feel that they might be useful in having keeping costs under control?

Romney: Yes, I think Health Savings Accounts, were they extensive in this country, could be helpful in reining in health care costs. They have not become extensive and [they] have not been as widely...

AR: We've actually run several items on HSAs, and I've listened to experts on it, and there's at least 10 million now and growing, and there's a study that suggests it costs maybe \$3,000 a year less than the average health care program.

Romney: As I indicated, I think they're useful and will have the effect of reducing the cost of healthcare in the country. But if it's 10 million out of 300 million, it's still very modest in terms of overall impact. If it were more widespread, as an insurance tool, it would have a bigger impact on...

AR: But should you promote it.

TW: It needs people like promoting it, doesn't it?

Romney: I do promote it. One of the things we made sure in our legislation in Massachusetts that we provided for catastrophic care-type policies that could of course be paired with HSAs and allow people that option. I do believe, however, that the foundation of our health care cost problem is the extraordinary misdirection of our incentive system. Right now, most individuals, once they pass their deductible, have zero cost for the care they receive. Likewise, the doctor is paid more, for the more he or she does for the patient. And the sicker the patient is, the more the doctor and the hospital make. So you've created a very extraordinary setting where the person who needs the service isn't paying for it, and the person who decides what service you gets paid more the more she or he does. So we're paying people for the quantity of things they do rather than for the quality of the specific treatment that is provided.

I think that we're going to find that changing the incentive system in America is going

to have a very significant impact. HSAs do that for the individual -- not for the doctor, but for the individual.

TW: Well, the doctor's prices would be looked at more by the patient.

Romney: It gives the patient an incentive. I'm saying the consumer is affected by the HSA. Consumers are also affected by coinsurance, which is applied in some other countries -- not that I would adopt the other countries as a model for ours -- but coinsurance, I'm not talking about copays, I'm talking about where people pay a percentage of their entire bill. That has a pretty significant effect as well. And France, for instance -- which is not my model in any way -- but France and Switzerland, which is perhaps one of the most market-oriented of the European style systems, in their case.

In France, for instance, the patient pays 25% of the hospital bill, 30% of a doctor's bill and 35% of prescription costs. Now they exempt certain conditions so that people aren't paying a lot if they get diabetes or whatever, but they create a pretty significant consumer or patient incentive.

Then there's the other side, which is the doctor's incentive. Those systems -- there's one out in the West called Intermountain Healthcare and another at the Mayo Clinic -- where the insurer or the provider is paid a fixed fee to pay for a patient's primary care every year. That now gives to the insurer or to the provider [an] incentive to keep the person healthy, and they take care of them because of course the consumer is going to decide whether they like them or not. But a single fee to pay for someone's primary care creates the right incentive for the doctor, likewise, let's say if someone develops a serious condition, like a coronary condition, a single fee could be paid for the, let's say, triple bypass surgery.

That single fee is then going to cover the doctor bill, the hospital bill, any rehab afterwards, medications afterwards, and, if the patient has to get readmitted, it covers that cost as well. Again, you're giving the doctors the incentive to do what's necessary and efficient, but not to do something that is excessive.

So, this whole area of incentives, with HSAs, coinsurance, single fees for providers, this is an area that I think is really ripe for analysis and, if you will, some experimentation. If the states would be the laboratories of democracy, I'd love to see some of these things tried at the state level before we launch them nationally.

The thing that is so amazing to me is that a lot of people have spent a lot of time working in this area gathering a lot of information from other nations, from states. There's a lot that we know, there's a lot that we need to know, and the idea that President Obama is just going to jam it through Congress with few people having read the legislation or understanding it is, in my view, a gross misapplication of his leadership.

Instead he should take this occasion to do something that would really help the American people.

JB: Governor, many thanks for your time and insights.

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