

May 22, 2009

Mayo Clinic Response to Senate Finance Committee – Coverage Options

Mayo Clinic appreciates the opportunity to comment on your recent policy options paper, *Expanding Health Care Coverage: Proposals to Provide Affordable Coverage to All Americans*. We commend your goal of extending access to health care coverage for everyone.

Through the consensus process of the Mayo Clinic Health Policy Center, involving more than 2,000 stakeholders from patients and families, providers, insurers, employers, medical and pharmaceutical industry, government and academia, we collectively agree that everyone must have guaranteed portable health insurance.

We also commend your commitment to making it “necessary for insurance market reforms to function properly and to end the cost shifting that occurs within the system.” We are in agreement with the establishment of an insurance exchange with multiple plan options and the requirement that all plans prohibit any exclusion for pre-existing conditions.

However, we object to your Public Health Insurance Option which calls for a “Medicare-like Plan.” On the other hand, we couldn’t agree more with your assertion that you must resolve the issue of “how providers will be reimbursed for services they provide to enrollees of the public option.”

A public plan structured like Medicare would be financially disastrous to the provider community. As you know, a majority of Medicare providers currently suffer great financial loss under the current program. Medicare price controls cause an average 15 percent cost shift to providers. Mayo Clinic alone lost \$840 million last year alone under Medicare.

In addition, the current Medicare system incents medical procedures not quality outcomes, and the reimbursements vary greatly across regions. Instead of expanding Medicare, its payment system must be reformed to pay for value rather than pay for volume. Currently, Medicare pays the most to areas of the country that provide the worst outcomes, safety and service, and pays the least to providers who demonstrate better outcomes, safety and service.

In addition, the huge administrative complexity creates added costs on the provider side. Medicare is not as efficient from an administrative overhead cost standpoint as some have stated. A major Milliman study found little difference between Medicare administrative costs and private insurance administrative costs when examined on an equal basis. In addition, the added administrative costs that providers undertake to comply with extremely complex Medicare payment rules is often overlooked. For example, it takes Medicare more than 3,000 pages each year to explain how much it will be increasing the payment rates for physicians and hospitals. The last renewal of a contract with Mayo's largest private insurer was presented in three pages for a three-year renewal.

The option to pay providers Medicare rates plus 0-10 percent is not sufficient since Medicare currently underpays by significantly more than 10 percent.

Your options approach to actuarial integrity is too complex. Insurers should be free to offer any options to consumers, as long as they meet one set of minimum actuarial values.

When it comes to expanding coverage, we think the Federal Employees Health Benefit Plan (FEHBP) is a great model, and it does not have a government-run plan option. We believe many of its features can be replicated in an Insurance Exchange:

- FEHBP offers numerous choices
- Because of the large pools, rates are kept down
- No one is turned away for pre-existing conditions
- Prescription drugs are covered
- Plans have quality scores to help individuals make decisions about the coverage best for them

We believe a FEHBP-type system would enable employers to continue to help employees pay for premiums. In addition, the coverage could be portable for individuals, so that when their employment status changes, they don't have to change their health coverage. The government should provide sliding-scale subsidies to those who need help with premium, or do not have access to employer premium support.

We believe all Americans must have guaranteed portable health insurance, but it is critical that we not lose sight of the need to reform the Medicare payment system at the same time. Without payment reform, Medicare should not be considered as a model for expanding coverage.