

**Testimony by David L. Knowlton,
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For
The United States House of Representatives
Committee on Energy and Commerce
Subcommittee on Health**

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Mr. Chairman, members of the committee, invited guests and staff.

My name is David Knowlton and I am President and CEO of the New Jersey Health Care Quality Institute. The Quality Institute was founded 10 years ago and is a non-profit, non-partisan foundation. Our purpose is to “undertake projects that will ensure that quality, accountability and cost containment are all closely linked to the delivery of health care services in New Jersey.” We achieve this by fostering collaboration amongst all stakeholders in the State’s health care delivery system so that purchasers and health care consumers more fully realize the benefits of the linkage between quality, accountability and cost containment.

The Quality Institute seeks to empower health care purchasers and consumers by publishing the results of objective research, comparative data on providers, and other pertinent educational information so that purchasers and consumers may adopt value-based purchasing practices and be able to make informed decisions on the merits of various health care programs, treatments and services. We were designated as the lead agency in New Jersey for the national Leapfrog Group effort in 2002.

I want to thank you for giving me the opportunity, on behalf of the group I lead, to give you a brief glimpse into the state of healthcare in our home state of New Jersey. More importantly, I want to share with you the work we are undertaking to come to grips with New Jersey’s uninsured population.

As you know Mr. Chairman, in New Jersey, we are proud to be at or near the top in a number of statistical categories. We have one of the highest per capita incomes. We are home to more high technology, pharmaceutical and biotechnology companies per square mile than any place in the world. We are home to the largest free-standing public health university in the county, the University of Medicine and Dentistry of New Jersey. Our college and professional sports teams, particularly our women’s basketball team at Rutgers, consistently compete at a championship level.

Unfortunately, we also rank near the top statistically in some categories of healthcare for which we are not particularly proud:

According to the United States Census, we are home to more than 1.3 million uninsured, 240,000 of them children.

Research conducted for New Jersey's outstanding Robert Wood Johnson Foundation tell us that one out of every seven children in our state received NO medical care last year as a result of being uninsured.

The New Jersey Business and Industry Association reported earlier this month that for small businesses, the cost of providing coverage has increased 80% in the last five years. As a result, businesses in New Jersey providing coverage for their workers has dropped dramatically in just the past four years and now, one in every five small business owners simply cannot afford health insurance.

Research conducted for New Jersey's Hall Institute of Public Policy by Dr. Sherry Glied and Edward Broughton revealed the following:

The cost of healthcare in our state consumes 11 percent of the state's Gross Domestic Product and has been rising rapidly since the turn of the last century. In fact, at \$6,500 per capita healthcare costs are a full 10 percent above the national average. Those rapidly rising costs come after a 1998 benchmark which revealed that New Jersey paid the highest premiums for single plans and the third highest for family plans of 40 states studied. In fact, research from the Kaiser Family Foundation shows that New Jersey pays among the highest costs in the nation in both health insurance costs and health care costs.

The Glied-Broughton study further found that the "high cost of health care and health insurance in New Jersey affect the state's residents, both as consumers of health care services and as taxpayers. High health costs make it harder for people to afford coverage, whether purchased in the non-group market or through employment. High costs also mean higher taxes to support state-financed health programs, including the states share of Medicaid and NJFamilyCare and the state employee health insurance program."

But while New Jersey may be suffering a little more as a result of its high costs, its situation is not unique. The problem of the uninsured in America is not confined to any particular state or region.

In America, the most powerful economic force mankind has ever known, there are amongst us citizens who have seen loved ones die because they did not have medical coverage.

There are Americans who have been forced to declare bankruptcy or sell their homes to pay for medical care. There are horrendous disparities which reveal that Hispanics and African Americans are more likely to be uninsured than white Americans, even though white Americans constitute the absolute majority of the uninsured. One out of every three young adults between the ages of 18 and 24 in the United States lacks health care coverage.

It is important for us to understand why so many Americans are uninsured if we are to be successful in forging a solution.

Some of the uninsured are between jobs. Some are starting new jobs with an insurance waiting period. Others work for such low salaries that they cannot afford insurance. There are those who work for employers who do not offer insurance at all. Some of the uninsured work for small businesses with limited cash flow. Some are uninsured because of shifting family situations. Some lost their insurance when they had to quit work or reduce their working hours in order to care for aging parents, sick children, or disabled spouses.

The consequences of being uninsured or underinsured are significant. Finding yourself uninsured is not simply an inconvenience ... it is often life threatening.

For most uninsured Americans, there is no health care "system," but rather a blotchy and frayed patchwork of unreliable and inconsistent programs, providers, and facilities. Most of the uninsured routinely experience delays in getting care for a variety of medical problems

The uninsured rarely if ever go to the doctor for a checkup. They rarely receive ongoing supervision of chronic problems, and they almost never get treatment until their pain becomes unbearable or intractable complications set in.

The uninsured are left to their own devices to manage their health problems. The uninsured learn who is willing to write a prescription or give out free drug samples without examining them. Some will take only half of a prescribed drug dose so that their medicine will last longer. The uninsured will share prescriptions with friends and relatives. They will skip doses until they can afford a refill. The uninsured play a high-stakes guessing game when they choose which of their several prescriptions they can afford to purchase. They will self-medicate in ways that would appall trained health care providers and they will take large and frequent doses of over-the-counter pain medications such as ibuprofen and Tylenol in order to get through the day or night.

The Institute of Medicine has concluded that the uninsured receive less preventive care and poorer treatment for both minor and serious chronic and acute illnesses.

The bottom line: In many cases, the uninsured live shorter lives than comparable insured populations. Their "crime" is being too poor or too disabled or underemployed or simply someone holding down three or four part-time jobs. Their sentence is sometimes the death penalty.

For all of these reasons, the New Jersey Health Care Quality Institute has decided to become involved in our home state on the issue of health care reform. We understand that without access to care, you cannot possibly have quality care.

We know where to start. First, we must do all we can to enroll all who are eligible for state sponsored coverage through SCHIP programs. We have to properly utilize and maximize the Federal dollars available to us for this purpose. We have to make sure that

those who have health care coverage are able to keep it. We simply cannot lose more ground in this struggle.

Beyond that, we must get creative at the state level and find solutions that provide affordable and adequate coverage for every man, woman and child in our state. That is the journey on which we now find ourselves in New Jersey. Last summer New Jersey State Senator Joe Vitale and I gathered together stakeholders and experts and engaged in a weekly, frank and open dialogue directed toward a lasting solution to the tragedy of the uninsured in New Jersey – all of them. Those around the table included health care professionals, business and labor leaders, public policy makers and many of the state’s leading opinion leaders.

We quickly came to some conclusions and established “pillars” for our reform effort:

Universal health insurance coverage is our goal. Health insurance must be affordable, and it must be portable so individuals can take it with them as they move in and out of employment or from one region of the State to another.

In order to achieve universal coverage, our plan includes a mandate that every individual residing in New Jersey have health insurance – an “individual mandate.” Under our reform individuals will be responsible to provide proof of health insurance when they file their state income tax return. If they do not provide proof of health insurance, they will be placed by the state into the new state health insurance plan.

We intend to expand FamilyCare to ensure that we are using all the federal dollars we have available to us. We also must enroll all New Jerseyans who are currently eligible for Medicaid and FamilyCare but who are not yet enrolled.

If, for whatever reason, a New Jersey resident presents for care without insurance, the hospital will place them into the new plan and provide billing information to the new plan.

Unfortunately – even with a comprehensive universal coverage plan – there will be some who remain uninsured. They are the undocumented populations, homeless, and others who are hard to reach. For those people, we must have a safety net. Our plan will create a network of Collaborative Care Centers who partner with hospitals to provide primary and specialty care to these populations, so hospitals are only responsible for their emergent care. This means better quality care, and it contains cost. The hospitals and centers will be eligible for reimbursement for actual care provided to the remaining uninsured.

This new plan will replace the current plans offered in the state’s individual market. This successor plan will be sold to individuals and their families (not employers), and will be licensed by our Department of Banking and Insurance and administered by our State Health Benefits Plan.

In the current Individual Health Coverage market, coverage is unaffordable because people are spread out among many plans and policies, and because of adverse selection (where sick individuals buy coverage and the healthy do not). Our plan combines all individuals together so we can take advantage of the “law of large numbers,” so the healthy and the sick balance each other out and we are able to provide an affordable health insurance product.

The health insurance plan will include a statewide network of providers, and will be designed as one plan with two options: A standard HMO and a PPO with an out-of-network option. This plan will be a commercial grade product, with commercial reimbursements and with benefits modeled after the current Standard Plan in the Small Employer Market. We will require that where an employee does not have coverage, his or her employer must provide them access to a Section 125 flexible-spending account so the employee can purchase their health care coverage with before tax dollars.

Our plan will be offered to all New Jersey residents, and state subsidy will be provided on a sliding scale based on what is affordable to the individual or their family based on their income level and family size. Our current charity care and related hospital subsidies will be redirected over time to provide premium assistance in the new plan.

In New Jersey today, two-thirds of those who have health insurance coverage receive it from their employers. We must pursue reforms in the current employer-based markets to ensure that employers who are providing coverage to their employees now can afford to continue to do so.

Last, we must ensure that quality and cost-containment are important elements of our reform. Increased transparency of quality and cost data, public reporting of that data, advances in the interoperable use of health information technology, providing consumers the tools to make the best health care decisions, and attention to chronic disease management are all part of that solution,

We still have some details to work out but we believe we are on the verge of transformational reform in New Jersey.

Furthermore, we believe the time to act is now. The pessimism and gloom which permeated the nation for much of the last decade after we failed as leaders to tackle this issue has been replaced by new optimism and hope in this new century.

Particularly in New Jersey, the stars are aligned: we have a governor who is committed to transformational change. In fact, I would suggest to you that Governor Jon Corzine today understands the value of quality and accessible health care better than any other chief executive in the nation.

We also have stakeholders who have decided to roll up their sleeves and be part of the solution rather than sit on the sidelines and be part of the problem.

In the coming months legislation will be introduced in both houses of our Legislature to establish affordable and accessible health care coverage for each and every one of our state's citizens. It will be a real plan that can work. More importantly, it will make a very real difference – not only in the everyday lives of more than a million of our state's uninsured citizens – but in how we feel about ourselves and our responsibility to those less fortunate.

I would like to leave you today with the words of the Founding Father for whom this city is named. In his Farewell Address as George Washington was leaving public service at the end of two terms as our President, he warned future leaders against "ungenerously throwing upon posterity the burden which we ourselves ought to bear."

We believe New Jersey is at a crossroads. We can continue to ignore Washington's sage advice; or, we can do something. We have made our choice and are ready to lead. We believe this is a burden that we ourselves need to bear. We hope others will soon follow.

Thank you for providing this forum for what may very well be the nation's most urgent issue.