House Committee on Ways and Means

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Testimony Before the Full Committee
of the House Committee on Ways and Means

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Chairman Rangel,Ranking Member Camp, and Members of the Committee, I am Richard B. Warner, M.D. from Overland Park, Kansas, and I appreciate the opportunity to talk with you about the reform of health insurance and its market. My perspective is that of a psychiatric physician in private practice. I am a recent past president of the Kansas Medical Society and a member of the Kansas delegation to the American Medical Association. I also serve on the Board of Directors of the Kansas Health Insurance Association, which administers the high risk pool for the State of Kansas.

In 2004 the Kansas Medical Society (KMS) adopted a set of Principles of Health Care Reform to guide its staff and leadership in responding to proposals for health care reform, and these were updated in 2008. They form the underpinning of my remarks today.

The first point to understand about health insurance is that while it is a resourcethat helps people to be able to pay for medical care, it also aggravatesthe inflation of prices in the medical market. With third party payers covering the largest part of medical expenses, people are insulated from the financial consequences of their health care purchasing decisions. The effect of that is profoundly inflationary, and we have a spiral in which a person needs health insurance to be able to afford care, but the insurance contributes to the higher and higher prices that we all see. We then see a variety of measures put in place to attempt to restrain prices and spending.

The first of the KMS Principles calls for a pluralistic, competitive delivery system with choice of physician, facility, and health plans, not only in private health plans, but to the extent practical, in publicly financed health care programs as well. It suggests that the system should harness the power of choice, individual responsibility, and market forces as a superior approach to a government controlled system. Applied to the idea of a “public option” health insurance plan, it would raise a caution because of the risk that a government designed, marketed, and funded health plan would eventually undermine the markets both for health insurance and health services. The likely price controls of such a plan would eventually bring about a shortage of services, as is starting to be seen in Medicare. The likely cost-shifting, as is now seen with Medicare, Medicaid, and SCHIP programs, would distort pricing in the private market and result in the crowding out of private plans.

The second of the KMS Principles calls for public policies that encourage the development of affordable, portable health insurance products, including those which emphasize greater consumer financial responsibility for their health care purchasing decisions, such as through the use of percentage-based coinsurance and Health Savings Accounts combined with higher deductible insurance policies. These approaches would have patients participating in both the first and the last dollars of their transactions, which would offer a natural restraint to both utilization and price inflation.

While asserting that all Kansans should have health insurance, the KMS Principles state that mandating universal coverage by law is neither desirablenor likely. That would apply to both individual and employer mandates. To federally mandate that individuals purchase health insurance would likely make it easier for states or the federal government to also insist on various mandated benefits, which would drive up the price of the insurance. To mandate employer purchase would lock more people into plans with very small risk pools, and it would defeat the goal of individually owned and portable insurance.

Finally, I would like to say a few words about the importance of the patient-physician relationship, which is based on the Hippocratic ideal of placing the patient's best interest ahead of one's own interest or that of any group. That relationship forms the moral bedrock upon which medical care rests, and it is what allows patients to reveal whatever is necessary to properly diagnose and treat whatever may ail them. Financial and clinical systems should have as their mission to support what the patient and the physician undertake. Competitive markets in which no insurance plan, private or governmental, develops monopsony-like control will provide the best support. Allowing patients and physicians to privately contract for care also is a step toward their being able to shape care decisions in the best interests of the patient.

Thank you for the opportunity of sharing these brief remarks. I look forward to discussing them further with you.

Sincerely,

Richard B. Warner, M.D.