United States Senate

WASHINGTON, DC 20510

May 6, 2009

The Honorable Edward Kennedy
Chairman, Senate Committee on Health, Education, Labor, and Pensions
428 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Max Baucus
Chairman, Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Kennedy and Chairman Baucus:

Thank you for your leadership on efforts to bring long overdue reform to our health care system. As you both have often pointed out, rising health care costs are overwhelming family, business, and government resources and jeopardizing both the economic future of our nation and the health of our citizens. With millions of Americans uninsured or underinsured, with our businesses struggling to compete globally due to burdensome health costs, and with our nation spending in excess of two trillion dollars annually on health care, there is clear and widespread consensus that our health care system is in need of reform.

As members of key committees and leaders on health care issues, we write to support a public plan option as a core component of this reform. There is no reason to believe that private insurers alone will meet the public purpose of ensuring coverage for all Americans at an affordable price for taxpayers.

Medicare Part D should serve as one particularly pertinent reminder of how well-intentioned efforts to address serious health care problems – if not done with the best interests of patients in mind – can end up working better for the pharmaceutical and insurance industries than for beneficiaries. There is no public plan alternative to the private drug plans available under Medicare Part D, and Medicare is prohibited by law from negotiating bulk drug discounts on behalf of Medicare beneficiaries. As a result, the cost to taxpayers has been 3.5 times the market value of the prescriptions covered by Part D plans, according to a study in the peer-reviewed journal, *Health Affairs*. The stated intent of the legislation was to bring affordable drug coverage to Medicare beneficiaries, but the result was the creation of a privately run program that has hiked up drug prices at the expense of patients and taxpayers, and left the dreaded "donut hole" to ensnare seniors.

As we take steps to make coverage more affordable and accessible, we must heed past experience that private insurance alone cannot accomplish our goals. To achieve meaningful reform, insurers must compete based on quality and affordability – but clearly that has not always been the case. Indeed, history suggests that the insurance industry will build a business model at least in part around pushing government subsidies

upward. A public option that sets the standard for quality, efficiency, and cost will create incentives for healthy competition that will serve the interests of all Americans.

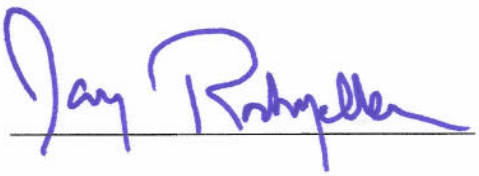
Insurance reform is positive. Insurance reform is essential. But insurance reform is only a piece of the health reform puzzle. We agree with President Obama's comments during his campaign: that the surefire way to guarantee affordable and meaningful coverage for all is by giving citizens a choice between private insurance and a public alternative. We envision a uniquely American solution: an insurance market that allows for healthy, fair, and robust competition between publicly-administered and privately-administered insurance, allowing those who are satisfied with their coverage to keep what they have. Let Americans choose which option is best for them.

An alternative to private insurance will help keep that industry honest, while providing a mechanism for advancing quality-enhancing and cost-cutting strategies essential to the future viability of our health care system. In addition, an alternative to private insurance can, and should, promote the kind of delivery reform that minimizes medical errors, deters duplicative and other unnecessary tests and treatments, advances the use of information technology and best practices to increase the efficiency and effectiveness of health care, and showcases successful strategies for preventing and managing catastrophic and chronic health conditions. Finally, an alternative to private insurance would ensure rural Americans, and those facing employment changes, the choice to have quality, affordable coverage backed by the strength and reliability of the federal government.

We understand that there are many ways to design a public insurance option for uninsured Americans, and we stand ready to work with you to design this option as part of overall health reform. Health reform must include checks and balances, including public and private insurance options for the Americans we serve. We agree with you that the needs of the American citizens must take precedence over special interest groups in this critical debate.

Thank you for your consideration. We would be glad to discuss our thoughts with you in more depth.

Sincerely,



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