



Blue Shield
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Foundation

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**Written Remarks
to the
Little Hoover Commission**

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Mr. Chairman. Commissioners. Distinguished guests. Good morning. My name is Crystal Hayling, and I am President and Chief Executive Officer of the Blue Shield of California Foundation.

Allow me to begin by thanking Chairman Alpert for inviting me today. It is an honor to be here as a lead speaker on a day with so many impressive speakers. The agenda promises to be an enlightening one.

With annual grants of nearly \$30 million, the Foundation's work extends from supporting primary medical services to groundbreaking research and technology projects. As part of my role, I'm fortunate to be able to travel the state and talk with people from all walks of life about the possibility of health care reform.

The Argument Against Political Change

Regardless of the setting, the first question I am asked is whether I believe health reform is even possible. There is a negative assumption built into that question. Of course, it would be much easier for all of us to spend the next year talking about why health reform will always fail. Ask 10 people, and you'll get 20 different reasons. Answers like:

- Reform costs too much.
- California is too big.
- California has too many uninsured.
- Business is opposed because they don't want to pay for it.
- The Governor is opposed because he only vetoes health bills.
- The Legislature is opposed because they pass reform bills, but don't fund them.

For now, California's health debate is still highly polarized. In recent years, Democrats and advocates have driven the debate and offered possible coverage solutions, generally placing greater responsibility on business. Generally, business groups and Republicans have spoken about the need to rein in costs, but have been relatively silent on specific proposals to promote coverage.

And then, there is a long list of failures that the naysayers point to as evidence that reform will never happen. California tried for reform with SB 2. And it was repealed. SB 840, the single payer bill, was recently vetoed. Nationally, President Nixon supported universal coverage. He fought hard. And failed. President Clinton fought hard. And failed. As did President Truman.

Maybe you think that some of those efforts would have improved the system. Maybe you think that they would have had bad outcomes.

But the point is that we are still stuck in the same quagmire that seems to always prevent reform. It is the perfect cover for political pundits who want to be in the headlines saying that we'll never have reform. I, however, am not one of those.

Health Care for All: Not If, But When

When you go beyond the superficial, and look at where California is today, the facts actually show that reform is not only possible, but likely. I believe that this State will be headed toward health coverage for all in the next several years. Just look where we are.

There is now wide understanding that there is a tremendously high price for doing nothing. Costs will continue to skyrocket even as the cost-shifting game escalates. The result? There will be more uninsured. California businesses will become less and less competitive. Business is moving toward the conclusion that comprehensive reform is in their interest. Agreement that we need change is a major achievement.

In addition, California is blessed to have many, many skilled policymakers, ranging from Secretary Kim Belshé to Senator Kuehl. Different political perspectives, but they have great analytical skills and a passion to improve the system.

California also has a wonderfully dynamic foundation community that actively funds research and education efforts. Blue Shield of California Foundation is proud and honored to be part of this community.

In part due to the foundations' work, we in California know a great deal about steps that can be taken to achieve successful health reform. There are indeed "new" ideas in health care financing, and there is excellent analysis of the existing ideas.

When new questions arise, California's advocates, think tanks, and academic luminaries can offer thoughts and conduct tremendously successful research. In fact, I'm joined

here today by Lucien Wulsin, who can answer pretty much answer any question you can ask about reform.

The Missing Ingredient: Cohesive Leadership

And so, all this begs the question. If California has all of this going for us, then what are we missing? In short, it's cohesive leadership. There are many strong leaders in California health care, all of whom have a critical role to play. And all of whom have their own reform ideas.

But as we'll talk about, there is no agreement around any one concept within either party – let alone across parties.

- In recent news is Senator Kuehl, who champions a single payer approach.
- San Francisco Mayor Gavin Newsom is pursuing a plan that creates better access to care, funded by a mandate on employers.
- Senator Migden seems to agree with the Mayor, but her bill will only require the largest employers to provide coverage.
- Assemblymen Richman and Nation worked together in a bipartisan fashion to require all individuals to have catastrophic coverage.
- Assemblywoman Chan and Senator Escutia have championed bills that would cover all of California's children.
- Governor Arnold Schwarzenegger is seeking out fresh solutions and has promised a significant health reform proposal in 2007.

Interestingly, not all health reform leaders are elected officials. The California Medical Association has a plan based on individual responsibility.

- Anthony Wright of Health Access has been a champion for the uninsured and has supported some of the initiatives I've mentioned.
- Wendy Lazarus of the Children's Partnership and Ted Lampert of Children Now are helping to lead a broad range of advocates in a fight to cover all children through Proposition 86.
- Then there is business. The Chamber of Commerce has yet to put forth a coverage expansion proposal, but some business leaders are implementing innovative internal changes that promote employee responsibility as a means to contain costs. Steve Burd, CEO of the Safeway Corporation, is just one such business leader.

- And then there is organized labor, which also enjoys a diversity of beliefs.
 - The California Nurses Association has said that they will put single payer on the ballot in 2008.
 - SEIU officials have said in the press that an employer mandate proposal would be on the ballot, also in 2008.

The point of this long list is to illustrate that there are very smart people who champion change. However, each is leading in their own direction with their own ideas. The ideas don't always contradict; yet clearly, we are not all pulling in the same direction.

What we need is a revolution in health reform thinking. Because if every leader's standard for success is total victory for their specific policy, then the status quo is their second choice policy. Some believe that, if they just fight hard enough, then they will "win" their policy argument. In the meantime, from this perspective, no change is better than any change. And "no change" is exactly what we'll keep getting.

I wouldn't presume to tell my friends and colleagues what to do. But I think we have reached a point where the status quo is no longer an acceptable second choice. The simple truth is this: No one is going to get their perfect first choice out of reform. So I modestly suggest that we should all start shopping for our compromise choice.

Policy Change Means Aligning Interests

Policy changes occur when stakeholders find the ability to align their interests to reach a shared goal. In more formal terms, Professor John Kingdon writes that "*change occurs when three separate streams in the policy world converge to create a window of opportunity.*" These are:

- *The Problem Stream:* where there is a widespread public recognition that we have a problem that needs to be solved,
- *The Policy Stream:* where proposed solutions have been identified as being viable and become elevated to a critical visibility, and
- *The Political Stream:* where a change in politics renders certain solutions or alternatives desirable.

In health care reform, we need to remove some roadblocks and get that political stream flowing. Let's go back to President Johnson and the passage of one of most visionary policy changes of the 20th century, the creation of Medicare. For years, the American Medical Association, fearing government price controls, blocked national health reform. President Johnson was able to pass Medicare by accepting the AMA's compromise that Medicare would pay fees based on local "reasonable and customary charges." Did

Johnson want to pay doctors whatever they charged? No. But he found the compromise needed to align the political stream and achieve policy change.

Senator Edward Kennedy has said that one of his greatest mistakes in politics was opposing Nixon's reform effort. He believes that lessons learned at that time provided a strong motivation for his recent effort to work with Republican Governor Romney in making the Massachusetts health reform plan a reality.

These are both leaders who did not allow the perfect to be the enemy of the good.

In California, compromise and flexibility are critical. While no one stakeholder appears to have the political power to force their idea through to be law, all sides have the power to reject an idea – essentially, to veto it. A recent example of this occurred three years ago when Governor Gray Davis signed a Democratic bill requiring employers to take primary responsibility for providing health coverage in California. Within a few months, business groups launched a well-funded ballot referendum that ultimately killed the idea.

Was either side successful in achieving health reform? From the perspective of the ranks of the uninsured which has continued to climb each year since, the answer would be a definitive “no.”

Health Reform Principles

So if I believe reform is possible, what should we do to achieve it? I think we all need to agree to five simple principles.

First, we must have health care for all as a shared goal. Medicare was approved because at that time seniors couldn't afford insurance. We recognized that it was a collective act for the common good. Now, we have a system where almost anyone in society from recent graduates to single parents to workers who find themselves “downsized” – can suddenly find themselves without health care. This is inhumane, inefficient, and unjust.

Second, reformers must commit to addressing the cost issue. As we address coverage, we must concurrently address cost. We need to focus on identifying which new medical technologies are worth the price (and which aren't), building the health care infrastructure for the 21st century, and insisting on population health improvement as the marker for a successful system.

Third, reformers must think like Californians. Not Republicans or Democrats. Not labor leaders or businessmen. But like Californians. We are natural leaders, risk takers who are comfortable seeking the next cutting edge. We may hope for a national solution, but we Californians can accomplish a lot in the meantime.

Fourth, we need to dare to plan revolutionary change in health care, beginning with thoughtful steps over the next several years. It took decades for us to make this mess. It will take years to fix it. There is no silver bullet. There is no one legislative bill that will

is going to fix everything all at once. But by focusing on fundamental change over time, then we will really be able to improve the system.

Finally, health care isn't free, and we can't expect reform to be free. Almost 20 percent of Californians are without coverage. Bringing them under the tent will require new resources and shared responsibility for bearing the burden.

But this is 2006. It is the early dawn of the 21st century. California was an undisputed leader at the end of the last century in innovation and technological can-do. And that success was the direct result of investments made in the state infrastructure and workforce by leaders in the 1950s.

Those state leaders had a vision that government's sacred and fundamental job was to give people the keys to unlock their own success. They did this through investments in public education, roads, ports, job training, and housing. We have unfinished business with this agenda. We once again need the cohesive leadership of that era to get us through the current health care challenge. Can a sick or worried uninsured citizenry truly be the engine for the vibrant economy of the next century?

It's time to stop talking about where we disagree. It's time to start talking about where we do agree. It's time to stop launching political attacks. And, it's time to start building policy and political alliances.

Conclusion: Moving Towards Coverage for All

If we follow these principles, the details on a specific policy will follow through negotiation with the stakeholders. And I think that negotiation will drive us towards the conclusion that health care for all is a shared responsibility. Everyone – individuals, employers, and the government – must pay their fair share.

I started these remarks with the list of reasons I most frequently hear, for why reform is doomed to failure. The excuses for why we can't get this job done sound tired and threadbare. I am pleased and honored to be invited here today, for a discussion that I am convinced will help to make health reform a reality.

Thank you again for this opportunity.