

Senate Testimony: Health Care Savings Accounts

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Senators,

I thank you for this opportunity to come before you on behalf of the Grunts on the Frontline of healthcare delivery. I come to you wearing several hats. One is as an Orthopedic Surgeon based in Ann Arbor, Michigan. I am part of a ten member orthopedic group where we focus on taking care of folks that have already sustained an injury. Several of the fallacies about injuries is that they are little short term events and that they don't have long term ramifications. In fact, many of these injuries are disabling, not only for a day or a week or a month, but for a lifetime. In fact, some of these injuries lead to a loss of life. I just found out yesterday morning that one of my patients in Northern Michigan died of a skiing related injury- he leaves behind a young family.

The other hat I wear is, unfortunately, all too under emphasized in medicine -- being a problem and injury preventer. Fifteen years ago, I founded The Institute for Preventative Sports Medicine where I focus my efforts on the prevention side of medicine. Just one of our studies that we authored through our Institute, according to the Federal Government, has prevented 1.7 million people a year from getting injured and saved \$2 billion in health care costs a year. Of note is that we spent \$1000 on that series of studies. A \$1000 outlay and we found a way to prevent 1.7 million people from being injured every year and in turn save \$2 billion in health care costs every year -- it's not a bang for the buck, it's a sonic boom for the buck.

There are many ramifications of the devastating injuries which affect 62 Million Americans every year. One of the ramifications of injury is obesity. When folks get injured, they hobble off the athletic field or the recreational field and they hobble onto the couch or to the computer. Not just for a day or a week, but possibly a lifetime, then, obesity becomes a reality.

The issue of health care reform is very frustrating for grunts on the frontline of health care delivery. Health care reform always becomes a politically Right /Left /Liberal /Conservative issue. It isn't! It affects every man, woman and child, every business and every community in our state and country. I don't see health care on a political Left / Right Axis; I see it on an Up / Down Axis. Up being individual freedom, freedom of health care for every person in this country. Down, being

oppression of people and businesses and their health care freedom. I believe folk's health care freedoms are currently being oppressed by a number of different entities. Some individuals at the Federal Government level, are hindering health care freedom. I believe there are corporate entities in the HMO and the Insurance Industry that are also limiting freedom. They are determining what type and how much health care is to be delivered. They have decimated the doctor / patient relationship and I believe they are putting people and businesses in harms way. When I became a physician I took an oath to "Do No Harm." Senators, this is harm.

You have the book that I have written, "*The Awakening of a Surgeon*". The book was featured on The Oprah Winfrey Show. When I wrote the book, and when I founded The Institute, everyone predicted failure. They predicted The Institute wouldn't last a week - it is now 15 years into existence. When I wrote the book folks said, "You won't sell more than 100 copies." You are holding the fourth edition in your hand. I was also told; "Don't even think about Oprah Winfrey having you on her show." Well, she not only had me on her show, but, she had me co-host a show with her on the enormous problem of injury in our country and the devastating toll it is taking.

There are a number of great things about being a guest and having a book featured on The Oprah Show. Number one is you meet Oprah and you realize she is a very caring person. She is the real deal. Number two, I'll tell you the best part. We talked about the number one reason for kids dying in sports on the show. The most common cause of children dying in sports is children getting hit in the chest with a baseball, softball, lacrosse ball, soccer ball or hockey puck. About thirty kids a year die from this scenario. We also discussed how to prevent those children from dying by using a defibrillator. About two weeks after that show aired, a 13 year old boy in the suburbs of Chicago got hit in the chest and went down. Two doctors were in the crowd, they reacted and gave him CPR. CPR doesn't work. The boy's respirations fell to zero, he was blue and he was dead. A mom in the crowd got on her cell phone and called 911 as she knew the police officers carried defibrillators in their cars.

She met the officer, ran him to the boy and they shocked his chest. The boy came back to life. When the press talked to the mom afterwards they asked, "How in the world did you know to do this because those two trained doctors didn't know that a defibrillator would save his life." Her answer was, "I saw it on TV. I saw it on Oprah!" My point is that we can do all these studies and prevent 1.7 million people from being injured or dying, but, who cares if the people we're doing our

studies for don't know about it. You see, what we do at The Institute is empower every parent, grandparent, business and community activist by providing them information that they can immediately apply to make a positive difference.... to prevent injury and death.

My goal today is to empower, you, by giving you information from the front line. In Chapter 11 of the book entitled: *A Domestic Vietnam*, I discuss our current health care battlefield. A battlefield where HMO's and insurance companies are profiting from the current system at the health care expense of families and businesses. The book details how to make our health care system more available, more affordable and how to bring health and wellness to every family and business and in the process reduce health care costs.

I don't use the term lightly when I say "Domestic Vietnam". Thousands of Americans died wanting to bring freedom to the people of Vietnam. Thousands came back wounded physically and psychologically. I refer to health care as a Domestic Vietnam because the policy makers and the decision makers aren't listening to the grunts on the front line, just as they did in The Vietnam Era. If you don't listen to the "health care grunts", we will lose the health care war and we Americans will be a casualty.

Let's define today's health care battlefield with the help of statistics. We are spending \$2 trillion a year in this country on healthcare -15% of our GNP. The insurance costs for employers grew 50% since 2000. The HMO and the Insurance Industry have been making money, and billions of dollars of that, by manipulating health care by limiting the availability and access to care. Folks, that is inhumane and unethical.

The single most effective means of cutting health care costs is not manipulating health care need, but preventing health care need. It's the single greatest bang for the buck in all of medicine. Go back to one our first studies. We Spent a thousand dollars and that lead to a savings of \$2 billion every year. A very small outlay focused on prevention, can have an enormous positive result. The doctor/patient relationship, as I mentioned earlier, has been obliterated, providers are coerced into delivering less than quality care. Well, you say, what's the data behind such a statement? An insurance company in Texas recently paid a \$10 million settlement to the State of Texas because they were coercing Dr's to deny care to patients. Another lawsuit was filed in New York when anesthesiologists had to sue an insurance company because the insurance company wanted to take control of the patient from the anesthesiologist in the operating room. If treatment in the O.R.

was to happen, the anesthesiologist was to call the insurance company representative on the phone to see what kind of care they were to administer to that patient.

Senators, you wouldn't want that kind of care. You wouldn't want that care for your family. You wouldn't even want that care for an enemy. Why are we doing this?

The administration costs for medicine are out of control. For every provider, doctor, nurse, therapist that has been added to the system over the past five years, three administrators have been added. Are they cheap? No Way! A couple of years ago, the CEO for one of the largest HMO's in the country made \$129 million in one year. The recipe for this kind of salary in health care consists of charging huge premiums to patients, denying care to the same patients, and then hammering providers on the other end. That's how a CEO of a health insurance company makes \$129 million.

One of the other problems on our battlefield is a Certificate of Need (CON) Law that is present in our state. In July of 2004, the Federal Trade Commission and Dept of Justice published a statement after they studied CON's for two years. "The Federal Trade Commission and the Department of Justice Dept believe that the Certificate of Need Programs are not successful in containing health care costs and they pose serious anti-competitive risks that usually outweigh their reported economic benefits."

So, let's say we don't believe the Federal Agencies and their data. Why don't we look at the University of Pennsylvania's, Wharton School of Business? Their conclusions were that CON's restrict supply and lead to much higher health care costs.

In addition, in our government funded health care system, \$46 million dollars per day occurs in Medicaid fraud. We have over 400,000 senior citizens, that are enrolled in Medicare, spending greater than \$5,000 in out of pocket expenses per year. In 1997 in Michigan, we spent \$4 billion in Medicaid. As I understand it, this year, we are spending \$7.5 Billion with a \$40 Million shortage. The problem is obvious. We have a health care system where no financial incentives exist for consumers to make cost conscious decisions.

Folks are going to a "health care grocery store". They are picking up a bag of peas. They are going to the check out counter and the check out clerk says that will be

\$10,000 for that bag of peas. The customer then turns around and points to the person behind them and says “they have the credit card, they will pay.” There is no accountability or incentive to cut costs by consumers.

If you don't believe me, why don't we move to an executive in the Insurance Industry? The CEO of Humana, one of the largest HMO companies in this country, invited their 100 largest corporate clients to discuss health care. He was quoted as saying “If insurance premiums continue to grow at an annual rate of 12% they will average more than \$68,000 per worker in 2021 which amounts to 63% of the average workers total compensation, up from 19% from 2003.” He went on to say, “ We will sell you HMO policies every day, all day long.” Is this the model for fixing issues – **No!**

He went on to say the only type of program that can cut costs and make people safer and healthier in the process are **Health Savings Accounts**. I have been an advocate for HSA's for sixteen years. I have spoken to corporations and I have heard every excuse imaginable. None of them hold any merit **or** water. But, the last thing I thought I'd hear in 2005 was an HMO executive talking the talk that I have been talking for the last sixteen years.

So let's talk about **Health Savings Accounts**. Accompanying my book, I have a handout, comparing current insurance expenses to HSA expenses. It is about a patient by the name of Mr. Michigan. He has \$800 in health care expenses. In the current system, after he pays his co-pays, deductibles, and his insurance premiums, he will pay \$10,810.00 for his \$800 bill in one year. If he had a Medical Savings Account for that \$800 bill, he would pay \$5,130.00, of which \$4080.00 is deductible. The single greatest escalator of business costs in this state, and every state, are escalating health care costs. It is the single greatest cost center whether you have a Mom & Pop store on the corner or whether you are running General Motors.

If we want to attract businesses to this state, prosperity to this state, and health and wellness to this state, we need to create an incentive for every family and every business to become safer, healthier and in the process cut their costs. The single most effective way to accomplish that goal is through Health Savings Accounts. They provide direct incentives to consumers to control costs and stimulate market cost control competition.

Now, you might say, Yea but... you cut costs and people will get sicker because they don't use the system. Utilization studies have been done by the Rand

Corporation, not exactly a conservative organization. Their analysis found that HSA's maintained and enhanced the quality of care when folks used Health Savings Accounts. A study done by the insurance industry found that there was a 20% increase in the most effective way of cutting health care costs. They determined that there was a 20% increase in preventive services by individuals and families that used Health Savings Accounts.

HSA's enhance choice and HSA's enabled patients to go to any provider, or any drug store or any therapy facility, people have freedom to choose. HSA's are portable, if you change your job they go with you.

This past month, there was a study done, through the State of Wisconsin. They looked at HSA's and found that small businesses that used HSA's cut their health care cost in one year's time by 42%. In Washington, D.C., The Senate Aging Committee looked at HSA's and reviewed the organizations and companies that used HSA's. There were some very interesting findings that absolutely stunned The Senate. The committee found that 30% of the purchasers of HSA's have had a net worth of less than \$25,000. 56% of purchasers had an income less than \$15,000 and 40% of the folks that had purchased HSA's previously were uninsured. I don't know of any other approach that takes people off the uninsured rolls and provides an affordable insurance option. There is no other plan on planet Earth that has accomplished that goal. **The bottom line is that HSA's free every person, every family, and every business from the shackles of HMO's, Insurance Companies and Federal Bureaucrats.**

Our goal is to make health care available and affordable. When I became a physician, I took an oath to Do No Harm. I decided to add to that oath To Prevent Harm. We have an opportunity in this state to show this country how to win the War and bring health care freedom to every person, every family and every business. If we don't act, we will lose the war and every American will become a casualty.

Victor Hugo stated, "There is nothing more powerful than an idea whose time has come." Senators, the time has come for Health Savings Accounts.

I thank you for your time and this opportunity.

-David H. Janda, MD