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**Viewpoints: The Health Care Debate  
Blue Cross and Blue Shield Association President and CEO  
Scott Serota  
Kaiser Family Foundation  
June 4, 2008**

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**JACKIE JUDD:** Scott Serota, the President and CEO of the Blue Cross and Blue Shield Association, thank you for joining us on health08.org.

**SCOTT SEROTA:** My pleasure Jackie.

**JACKIE JUDD:** If you go to the Blue Cross Blue Shield website, there is a lot of information about different issues related to the health care system. But what would you say Blue Cross Blue Shield views as the single most pressing issue facing the nation?

**SCOTT SEROTA:** Jackie, if I had to put it in one word, I would say it is cost. The fact that health care costs today are out of control essentially, they are rising at a rate which exceeds the growth of the general economy. So, we have a situation where the economy is growing at a rate, health care costs growing faster than that rate, consuming more and more of our economic resources to a point where it is more than 7,000 dollars for every man, woman and child in the United States, a 2.3 trillion dollar problem, if you will.

We as a society have got to come to grips with the fact that the cost of delivering health care to Americans is just too much and we have to figure out ways to get a better handle on health care costs and bring them more in control.

**JACKIE JUDD:** And before we get to some of the solutions that the Association is proposing, let me first ask

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you, when you say that costs are out of control and many people in the country certainly would not disagree with that, how does that impact the Blues?

**SCOTT SEROTA:** Well sure, we are amongst other things, a financier of health care costs. We pull risk together and develop health insurance premiums for our members. Somewhere between 85 and 90-percent of the health care premium that we present to employers or individuals is based on the underlying cost of delivering care today.

As health care costs go up, health care premiums go up. As health care premiums go up, we continue to face this pressure of more people becoming uninsured because the cost of insurance is unaffordable. As people become uninsured they do not necessarily purchase health care in the most cost efficient manner. They use the emergency room excessively and they do not get the preventive care they need if they are uninsured and as a result, it fuels that spiral.

It is almost this self-fulfilling engine that is driving here as cost goes up, fewer people have coverage. As fewer people have coverage they use the system inappropriately so costs go up even faster. So we continue to run that cycle. We have to break that cycle. We have to get the actual cost of delivering medical care under control so that we can address these other issues that face us. But we have to get this issue of cost under control.

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**JACKIE JUDD:** In January of this year, in 2008, the Association issued a five point plan called the pathway to covering America. Is that part of the answer to what you have been describing and fill us in on what that five point plan is?

**SCOTT SEROTA:** Sure. The five point plan does a couple things. First, it builds on the employer based system that we have today to improve quality and value because employers are very committed to ensuring that they have a health workforce because not only does it impact their premiums but it impacts productivity and a whole host of other things.

So, we believe that the link between health care benefits and the employer is important to maintain and to encourage. It is also built on a premise that is substantiated by research that as much as 30-percent of the care delivered today is ineffective, inappropriate or redundant. So we can make a huge step toward making health care more affordable and therefore, being able to extend coverage to more people by targeting that 30-percent and trying to get that 30-percent out of the system.

So the five point plan that we have developed focuses on quality and value and then once we get that focus shifted in our delivery system, then we move to the next phase which is to extend coverage to the uninsured.

So, point one, focus on what works. We have been strong advocates of something we call comparative effectiveness

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and this would be the creation of a public private organization or institution that evaluates treatment protocols, comparing one to another and develops a perspective on what really works in health care. And we get that information in the hands of providers, we get that in the hands of consumers so they can do a better job of separating the hype from the reality of new medical treatments, pharmaceuticals, medical technologies, to really focus on what is really making a difference.

We would envision this institution working with the various professional societies on the clinical side, developing protocols and procedures so that they could get the blessing of this comparative effectiveness institute and then we would envision that somehow we would build into law regulations, some kind of safe harbor, with regard to medical malpractice, professional liability for those clinicians who followed those protocols which were determined to be safe and efficacious for the treatments.

So, this is a public private partnership and we, the Blues, with our hundred million subscribers are willing to fund our fair share and we think the government and all payers should be a participant in creating and funding this institution and we should get it up and going.

**JACKIE JUDD:** And in this plan, Mr. Serota, where do you get to the idea that the uninsured need to have access in coverage?

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**SCOTT SEROTA:** It is coming.

**JACKIE JUDD:** Okay.

**SCOTT SEROTA:** Just in a nutshell, Jackie, I think that we have to extend coverage to the 47 million people and they are not all the same. Inside that 47 million people, you have about 20-percent of those folks, about 9 million people, who have household incomes that exceed 50 thousand dollars a year and in fact, the fastest growing segment there have household incomes that exceed 75 thousand dollars a year and they are what we call opting out. They have the means to purchase coverage but they are choosing not to purchase coverage for a variety of reasons.

A number of them are the young invincibles who do not think that they are going to get sick, look at the value proposition offered by health insurance today and say, I will take my chances. If I need care it will probably be an accident or something, I will go the emergency room and they cannot turn me away so I will get treated anyways. So they are kind of rolling the dice, if you will.

We need a different kind of solution for those people. We need different products, we need different kinds of services, we need a move toward more catastrophic coverage, more high deductible kinds of coverages so we can make health care more affordable, get those folks in the habit of

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purchasing health insurance in the private market and then continue as their needs change.

There is another large segment of the population of that 47 million, maybe as many as 13 million folks there who are currently eligible for Medicaid and SCHIP but are not enrolled. So we do not need a new program to get those folks enrolled, we need a concerted educational initiative to get those people enrolled in the Medicaid and the SCHIP programs.

**JACKIE JUDD:** And the people who are commonly called the working poor who cannot afford insurance?

**SCOTT SEROTA:** So now we have about— the 47 million is down to about 25 million. For those folks, we really strongly believe in a tax incentive kind of approach, tax credits in which you might earmark some percentage of income that nobody should have to pay more than x-percent of their income for health insurance premiums and you index a tax credit based on household income to encourage those people to buy health insurance or to encourage employers to offer health insurance to their employees.

A number of small businesses would offer it but they are afraid that if we offered it, our people would not be able to afford to buy it anyways. So, we need to create those kinds of tax credits, if you will, for people but we believe they should be indexed to income so that nobody has to pay a disproportioned share of their income for health insurance. So

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that is why I think the solution here is a public private partnership to solve this problem.

The government has to do certain things, get people enrolled in the programs we already have, create tax credits for people who are that working poor as you described them, who are working hard, they work for small businesses and they just cannot afford to buy coverage. And then we have to, as a private industry, create new products to attract those young invincibles to purchase coverage because they can afford it.

**JACKIE JUDD:** I have heard an array of opinion in doing these interviews about what are the prospects for changing the system we currently have to address the very issues you have been talking about? Some people are optimistic, some people are pessimistic, where do you fall?

**SCOTT SEROTA:** I'm optimistic that we have a convergence of events today. We have a motivated provider community who are looking for solutions. We believe that they have a lot to offer in the way of quality and value and they have simply been the reimbursement system, the reimbursement mechanisms have inhibited their ability to really engage in that discussion. We have hospitals, physicians, payers and government coordinating and collaborating in ways in which we never have before around establishing national quality measures.

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We have technology which exists today that can help us provide data and tracking and information that we did not have in the past so that we can actually measure and monitor outcomes. So I am very optimistic that we can modify the way in which we pay to incent the right behaviors. I am also very encouraged that the provider community will embrace that kind of a modification. So I think we are reaching a tipping point, if you will, where we are all aligned to the same objective.

The government, I think, will be the most difficult to bring along because it is a political process and it always gets caught up in partisanship but if we can get the focus in the private sector amongst the payers and the providers and move the needle forward, I think the government will not become a barrier, I think they will move along. But if we step back and look at the government to lead in this area, I think it will be problematic.

**JACKIE JUDD:** Even this year? Next year? With new administration whoever the President may be?

**SCOTT SEROTA:** Well I think there will be a lot of rhetoric but I still worry about the partisanship so I still think that it is up to us in the private sector and certainly we believe it is up to us as a leader in the Blue Cross Blue Shield Association and our system of 39 plans and our hundred million subscribers. We feel like it is incumbent upon us to lead this initiative and to bring along with us, the

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relationships that we have established over our 75 years of history, bringing that provider community along with us and they are with us and they are interested in making this move to create a direction, which the country can move.

**JACKIE JUDD:** And one final question, I am wondering, when you get to the table, talk about some of the changes, the ideas, the proposals, where is the line in the sand for you? What principles are ramrod and where could you negotiate?

**SCOTT SEROTA:** Well I think for us, we like to build off of what works. And we believe the employer base system works today so we do not want to see that thrown out in the interest of just trying something new.

**JACKIE JUDD:** Or eroded.

**SCOTT SEROTA:** Or eroded. And you can get data on both sides but the data we look at, and we have been looking at indicates that employers are not looking to get out of this business. They believe it is important. Important recruiting tools, it is important as far as being a thoughtful and responsible employer to provide these benefits so we would like to see that system strengthened and supported so I think that is one place where we feel it is critical.

I think the second piece is we feel like any discussion of extending coverage to more people has to be balanced with getting at the underlying costs of the system. We do not think that you can do one without the other. We have to do these

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things in tandem. And are we willing to negotiate on any or all of it? Of course we are because we want change, we want real positive change in a movement toward a value based health care system.

But I think that to simply do one without the other is tipping the pendulum in the wrong direction. We need to ensure that the movement is both to extend coverage and to encourage and promote value. We have got to do both and we have got to do both fairly quickly.

**JACKIE JUDD:** Okay. Scott Serota, thank you so much.

**SCOTT SEROTA:** My pleasure, thank you.

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