THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 3, 2009

TEXT OF A LETTER FROM THE PRESIDENT TO SENATOR EDWARD M. KENNEDY AND SENATOR MAX BAUCUS

June 2, 2009

The Honorable Edward M. Kennedy
The Honorable Max Baucus
United States Senate
Washington, D.C. 20510

Dear Senator Kennedy and Senator Baucus:

The meeting that we held today was very productive and I want to commend you for your leadership -- and the hard work your Committees are doing on health care reform, one of the most urgent and important challenges confronting us as a Nation.

In 2009, health care reform is not a luxury. It's a necessity we cannot defer. Soaring health care costs make our current course unsustainable. It is unsustainable for our families, whose spiraling premiums and out-of-pocket expenses are pushing them into bankruptcy and forcing them to go without the checkups and prescriptions they need. It is unsustainable for businesses, forcing more and more of them to choose between keeping their doors open or covering their workers. And the ever-increasing cost of Medicare and Medicaid are among the main drivers of enormous budget deficits that are threatening our economic future.

In short, the status quo is broken, and pouring money into a broken system only perpetuates its inefficiencies. Doing nothing would only put our entire health care system at risk. Without meaningful reform, one fifth of our economy is projected to be tied up in our health care system in 10 years; millions more Americans are expected to go without insurance; and outside of what they are receiving for health care, workers are projected to see their take-home pay actually fall over time.

We simply cannot afford to postpone health care reform any longer. This recognition has led an unprecedented coalition to emerge on behalf of reform -- hospitals, physicians, and health insurers, labor and business, Democrats and Republicans. These groups, adversaries in past efforts, are now standing as partners on the same side of this debate.

At this historic juncture, we share the goal of quality, affordable health care for all Americans. But I want to stress that reform cannot mean focusing on expanded coverage alone. Indeed, without a serious, sustained effort to reduce the growth rate of health care costs, affordable health care coverage will remain out of reach. So we must attack the root causes of the inflation in health care. That means promoting the best practices, not simply the most expensive. We should ask

why places like the Mayo Clinic in Minnesota, the Cleveland Clinic in Ohio, and other institutions can offer the highest quality care at costs well below the national norm. We need to learn from their successes and replicate those best practices across our country. That's how we can achieve reform that preserves and strengthens what's best about our health care system, while fixing what is broken.

The plans you are discussing embody my core belief that Americans should have better choices for health insurance, building on the principle that if they like the coverage they have now, they can keep it, while seeing their costs lowered as our reforms take hold. But for those who don't have such options, I agree that we should create a health insurance exchange -- a market where Americans can one-stop shop for a health care plan, compare benefits and prices, and choose the plan that's best for them, in the same way that Members of Congress and their families can. None of these plans should deny coverage on the basis of a preexisting condition, and all of these plans should include an affordable basic benefit package that includes prevention, and protection against catastrophic costs. I strongly believe that Americans should have the choice of a public health insurance option operating alongside private plans. This will give them a better range of choices, make the health care market more competitive, and keep insurance companies honest.

I understand the Committees are moving towards a principle of shared responsibility -- making every American responsible for having health insurance coverage, and asking that employers share in the cost. I share the goal of ending lapses and gaps in coverage that make us less healthy and drive up everyone's costs, and I am open to your ideas on shared responsibility. But I believe if we are going to make people responsible for owning health insurance, we must make health care affordable. If we do end up with a system where people are responsible for their own insurance, we need to provide a hardship waiver to exempt Americans who cannot afford it. In addition, while I believe that employers have a responsibility to support health insurance for their employees, small businesses face a number of special challenges in affording health benefits and should be exempted.

Health care reform must not add to our deficits over the next 10 years -- it must be at least deficit neutral and put America on a path to reducing its deficit over time. To fulfill this promise, I have set aside $635 billion in a health reserve fund as a down payment on reform. This reserve fund includes a number of proposals to cut spending by $309 billion over 10 years --reducing overpayments to Medicare Advantage private insurers; strengthening Medicare and Medicaid payment accuracy by cutting waste, fraud and abuse; improving care for Medicare patients after hospitalizations; and encouraging physicians to form "accountable care organizations" to improve the quality of care for Medicare patients. The reserve fund also includes a proposal to limit the tax rate at which high-income taxpayers can take itemized deductions to 28 percent, which, together with other steps to close loopholes, would raise $326 billion over 10 years.

I am committed to working with the Congress to fully offset the cost of health care reform by reducing Medicare and Medicaid spending by another $200 to $300 billion over the next 10 years, and by enacting appropriate proposals to generate additional revenues. These savings will come not only by adopting new technologies and addressing the vastly different costs of care, but from going after the key drivers of skyrocketing health care costs, including unmanaged chronic diseases, duplicated tests, and unnecessary hospital readmissions.

To identify and achieve additional savings, I am also open to your ideas about giving special consideration to the recommendations of the Medicare Payment Advisory Commission (MedPAC), a commission created by a Republican Congress. Under this approach, MedPAC's recommendations on cost reductions would be adopted unless opposed by a joint resolution of the Congress. This is similar to a process that has been used effectively by a commission charged with closing military bases, and could be a valuable tool to help achieve health care reform in a fiscally responsible way.
These are some of the issues I look forward to discussing with you in greater detail in the weeks and months ahead. But this year, we must do more than discuss. We must act. The American people and America's future demand it.

I know that you have reached out to Republican colleagues, as I have, and that you have worked hard to reach a bipartisan consensus about many of these issues. I remain hopeful that many Republicans will join us in enacting this historic legislation that will lower health care costs for families, businesses, and governments, and improve the lives of millions of Americans. So, I appreciate your efforts, and look forward to working with you so that the Congress can complete health care reform by October.

Sincerely,

BARACK OBAMA

# # #