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FINANCE
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RANKING MEMBER, SMALL BUSINESS

Mr. Chris Orestis

Dear Chris:

Thank you for contacting me concerning health reform. I appreciate having your thoughts on this issue.

As a senior member of the Senate Finance Committee, I believe that health reform must not wait another year. At this time, my colleagues on the Finance Committee and I are engaged in crafting health reform legislation to achieve the goals of sustainable and accessible coverage. In fact, I am a member of a bipartisan group of six Senators working with Finance Chairman Max Baucus to develop legislation that assures high quality, affordable coverage to all Americans while reducing the burden of health care costs. Please be assured that I will work to achieve more effective, higher quality care at lower cost to ensure that Americans receive far better value for their health care dollar.

This year, one in four Americans will be either underinsured or without coverage altogether. In other words, there are over 70 million individuals in this country with health and finances at grave risk due to the lack of health insurance. I believe a reform of our health care system must address three major challenges: providing coverage individuals can afford, reducing the high cost of health care so that coverage may be sustained, and transforming the way we deliver care to improve quality and effectiveness.

Yet the task before us of transforming our health care system dwarfs any previous undertaking in health and we must calibrate the speed of our action on this monumental issue to the necessity to get this right. That is why during our meeting on July 16, 2009, I told President Obama that while I am committed to ensuring affordable and accessible health care this year, we in the Senate should not be constrained by an artificial timetable as we continue to draft comprehensive health reform legislation.

Today, most Americans under the age of 65 obtain health insurance through their employer. So it is clear how the decline in employer-sponsored coverage over the last decade is exacerbating the problem of lost health coverage. Among our smallest businesses, the rising cost of health care has meant that today, less than half are able to offer coverage to their employees. That is why, since 2003, I have introduced legislation to ensure that small businesses – where half of all private sector employees work – will have access to a more affordable health plan. Today, the SHOP Act which I have introduced with Senator Dick Durbin – would enable small businesses and the self employed to obtain lower cost plans which meet Americans' expectation for comprehensive quality coverage. This initiative should play an important role in reducing the ranks of America's

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uninsured, a majority of whom work for a small business or are economically dependent on someone who does.

We must also reduce the cost of health care services and products. In addition, the current alignment of payments is distorted in that it overemphasizes performing procedures and neglects the critical need to improve primary care. It is clear that we must also utilize competition to achieve lower prices. For example, we have seen prescription drug prices increase at a rate two to three times greater than inflation. That is why I have worked to see that competition and negotiation help us to make the cost of medications more affordable. According to the Congressional Budget Office, the cost of the current Medicare prescription drug benefit is estimated to be more than \$900 billion over the next ten years. My legislation with Senator Ron Wyden – the MEND Act – would permit the Secretary of Health and Human Services to participate in the negotiation of drug prices. In addition, as Americans have called for access to more affordable imported prescription drugs, I also have joined Senator Byron Dorgan to introduce the bipartisan Pharmaceutical Market Access and Drug Safety Act of 2009 (S. 525) to ensure that Americans can achieve the substantial savings which other nations have already realized through competition – while assuring the safety of our medications. Our legislation would assure that FDA-approved medications can be safely imported to bring greater competition to our prescription drug market – so our nation can save from \$50 to \$200 billion over ten years.

There can be little doubt that if we are to achieve better value for our health care dollar, we must know which preventive strategies, diagnostics, drugs, and treatments work best. That is why obtaining objective evidence is key to reforming our spending. Studies of comparative effectiveness will be essential to informing our health care choices. I am pleased that the American Recovery and Reinvestment Act (H.R. 1), which I supported and was signed into law on February 17, included a provision regarding comparative effectiveness research. This legislation includes a \$1.1 billion investment aimed at ensuring that Americans will receive better information about the comparative effectiveness of different alternatives for the prevention, diagnosis, and treatment of disease. This is not an effort to ration care, but an objective study of the relative effectiveness of different options so that physicians and their patients are able to make informed decisions to ensure that patients receive the best care possible.

It is clear we have a challenging task ahead of us to provide the health system that Americans want – including a choice of affordable coverage options. Substantial commitments will be made in this effort – as individuals take personal responsibility to obtain coverage – as government assists those of moderate means – and as employers work to provide workers with the quality health benefits they expect. So Americans should rightly anticipate that the health insurance industry will respond with a variety of affordable options for quality coverage. I believe that with as many as 70 million new customers for comprehensive coverage – and millions more seeking higher quality, lower cost options – the response to comprehensive health reform will be overwhelming.

Some propose that government must play a much greater role – not simply as standard-setter and regulator, or in providing assistance to those struggling to afford a policy – but as provider of coverage to all. In my view, embarking down that path before even implementing reforms could compromise the competition and innovation which we are pressing to enhance. Providing a government plan raises a number of questions about how to realize benefits from such a plan without the adverse effects a public plan can create. In my view, a public plan is not a panacea to the

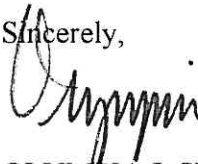
problems of health insurance today. Rather, we are on the cusp of at last achieving the enactment of comprehensive health reform to assure that health plans better serve the public while preserving both choice and innovation.

The bottom line is, when health reform is enacted, Americans will rightly expect results. As we anticipate that individuals will be asked to demonstrate personal responsibility to purchase coverage – as government will extend substantial assistance to help lower income individuals purchase coverage – and as business will continue efforts to offer employees quality coverage – it is crucial that health plans offer affordable quality coverage that meet the needs of Americans. So when reforms are enacted and implemented, if individuals are not offered affordable choices, the use of a safety net plan plays a critical role. A government-sponsored fallback plan was a key provision in extending prescription drug coverage to Medicare beneficiaries under Part D, and such a requirement can serve as a strong impetus to private firms to deliver greater plan value. Given that the Congress is undertaking its first reform of the health insurance market, it is wise to allow these reforms to be applied – and at the same time, assure that we realize the health security of all by ensuring that a safety net plan will be in place immediately where private plans fail to adequately perform.

As discussions continue regarding our health care system, please be assured that I remain committed to enacting a comprehensive initiative to ensure that we achieve reform by means which are equitable, prudent, and sustainable.

Again, thank you for taking the time to contact me. I value your opinion and hope that you continue to inform me of the issues that concern you.

Sincerely,



OLYMPIA J. SNOWE
United States Senator

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