



Washington State Labor Council, AFL-CIO

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VIA FAX & U.S. MAIL
202-228-0514

Senator Maria Cantwell
511 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Cantwell: *Maria*

I want to thank you for meeting with our group of labor and faith based leaders on June 30 and, as promised, I am sending some follow-up comments to our health care discussion with you.

It was clear to those at the meeting that you have made a personal commitment to support real national health care reform. Thank you for this. It is clear that you are somewhat dubious, due to the past struggle over prescription drugs, that Congress will pass the type of legislation that we need for real comprehensive reform.

It is our hope that you will become an aggressive champion for universal, affordable health care reform with a robust public option over the next month. We believe that you do not get the first, without the second. You asked us at the meeting what we thought a robust public option looked like. I would answer that the simplest, most cost efficient and effective mechanism for a robust public model is the existing Medicare system with a built-in patient base, national negotiating power and the ability to leverage the types of medical outcomes that are essential to a quality health care system.

The things that are most laudable about Group Health and that should be replicated at the national level are the recently adopted collaborative model of primary care as well as the move to electronic medical records. These improvements create accountability and responsibility in the system from both the patient and the medical professional side of things.

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It is not Group Health's structure or ownership that should be replicated. Our members, many of whom work for Group Health or are patients, do not see Group Health as a cooperative in any true sense of the word and in fact have watched Group Health over the years behave more and more like their main private sector competitors in the health insurance market – charging differential premiums depending on health status, introducing deductibles and co-pays, and out-of-network benefits. A board election aside, there is no true sense of accountability to members anymore.

In fact, Group Health has become Washington State's second largest health insurance company. Over 80% of the private health insurance market in Washington State is controlled by three companies, Regence, Premera, and Group Health. All three are not-for-profit companies.

What is clear is that not-for-profit status does not guarantee cost control. Regence announced today that as of August 1, 2009 individual premium rates will go up 17% and it has already been reported that Group Health's rates are going up 13%. The lack of real competition is partly responsible for these skyrocketing rates. As was pointed out during our meeting one of the reasons that Group Health remains competitive in our state employee plan is that 52% of our state employees are enrolled in the public option – the Uniform Medical Plan - that has administrative costs of only around 3%. To remain competitive Group Health has to find efficiencies to be price competitive in this market.

Senator Conrad has proposed some sort of cooperative model as a compromise to a truly robust public option. It is not at all clear to us what he means by this. But it is our understanding that there are only six "Group Health" like companies in the United States right now. Group Health has approximately 500,000 members, which took sixty years to develop. Creating a patchwork of state or regional cooperatives where none exist just seems like an extremely costly and very bad idea. What you end up with, if you could even create it, would be a series of fragmented risk pools and duplicative administrative structures around the country.

If Senator Conrad means the mechanism for the public option should be not-for-profit health contractors, it is important to note that approximately half of the privately insured people are enrolled in non-profit health plans now and costs have continued to soar. What we need is the competition provided by a truly public option.

Group Health is not available everywhere in the state of Washington and is not able to compete everywhere in Washington. Over the past decade Group Health has dropped coverage for members in 11 Eastern Washington counties. They noted that it was not cost effective for them. They could not build up sufficient economies of scale.

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A robust public option through the Medicare model would have nationally pooled purchasing power creating the ability to significantly lower prices and promote real competition in the private insurance industry. Equally as important a national public option would guarantee continuous coverage for individuals and economic and health stability for all regions of the country.

A Medicare based public option gives us a national base for driving costs down. Imagine the cost savings to Washington State and public employees if our Uniform Medical Plan were part of a national public option. Group Health and newly formed cooperatives would not have this type of negotiating leverage.

A Medicare based public option would be able to deliver coverage to millions of currently uninsured, under-insured, and unemployed at a fraction of the administrative cost of private insurance.

A Medicare based public option should incentivize quality and cost control mechanisms that reward enhanced primary care, medical home models, chronic care management programs like in Washington State's Medicaid program, and health technology assessment models like the one used by the Washington State Health Care Authority. The Commonwealth Study estimates that payment reforms such as these can save the health care system \$ 957 billion over ten years.

The labor movement in Washington State believes that we do not get real health care reform without creating a robust public option. A plan that as the Senate HELP committee says is "backed by the government for the public good." We need a real alternative to both for profit and not-for-profit health insurance as usual. We are asking you to be an aggressive health care champion and advocate for a Medicare based public option. We get to 60 votes one vote at a time. But we get to 60 votes by Democrats advocating for real reform.

Sincerely,



Rick S. Bender
President

RSB;jh
opeiu8/aff-cio

