

December 16, 2009

Senator Richard Lugar  
306 Hart Senate  
Office Building  
Washington, DC 20510

Dear Senator Lugar:

As leaders of the Indiana business and healthcare communities, we write to express our concerns regarding the Senate healthcare legislation currently under debate. We all agree that our current healthcare system, despite its numerous strengths, has serious flaws. Too many Hoosiers do not have health insurance coverage, and healthcare costs are growing at an unsustainable rate, imposing hardships on families and threatening the long-term fiscal solvency of our nation.

We strongly support expanding access to coverage to our fellow citizens who currently lack insurance, but we must do so in a way that addresses the flaws and inefficiencies of our current system and bends the total cost curve. With this in mind, we believe that successful patient-centered healthcare reform must realign financial incentives for hospitals and physicians to reward the quality of care provided to patients as opposed to the quantity of care. The Senate bill would leave largely unaltered the current fee-for-service system in which providers are reimbursed based on volume of services, rather than on patient outcomes or quality metrics.

Similarly, we believe reform must organize care around patients rather than providers. Today, Medicare and other payers generally do not encourage a coordinated and integrated approach across different patient care providers, too often leading to fragmented and inefficient care that frustrates patients and their families. Likewise, effective legislation must include incentives for individuals to assume greater responsibility for their health and their health care decisions. Simply stated, "We're all in this together." As such, our collective incentives must be aligned – across hospitals, physicians, patients and employers.

Unfortunately, the current Senate language does not adequately address these crucial elements of patient-centered reform. If passed in its current form, it will add stress to an already flawed healthcare delivery system by increasing demand for health services by millions of newly insured without fundamentally improving the quality of care that patients receive or bend the total cost curve through smart reforms. According to the independent actuary at the government's Centers for Medicare and Medicaid (CMS), the Senate bill would increase healthcare spending versus forecast baseline growth, while leaving an estimated 23 million uninsured people still dependent on an under-funded safety net.

Also of concern, the Senate legislation imposes substantial new taxes that, because they are not fully indexed to cost growth, will impact more and more Hoosiers over time. For instance, the increase in the Medicare payroll tax for those workers earning more than \$200,000 per year is not indexed to inflation, and as a result will be paid by a growing number of middle-class Hoosiers over time. The Medicare tax increase also represents an alarming precedent, being the first time that revenues from this payroll tax will be used to fund non-Medicare expenses. In addition, the \$20 billion tax on medical devices included in the legislation will be especially problematic for Indiana, which is home to hundreds of medical device companies employing more than 18,000 employees, and which has an economic development strategy based in part on promoting the growth of the life sciences and medical technology industries.

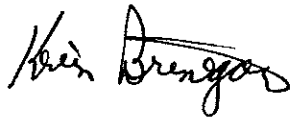
The bill's significant expansion of Medicaid is likewise concerning. Because Medicaid costs are paid jointly by the federal government and the states, the expansion included in the Senate bill will increase costs dramatically, at a time when a severe state budget crisis has led to a five percent reduction in Medicaid provider rates, placing even greater pressure on Indiana's hospitals. Because Medicaid reimburses only a fraction of the actual costs of care, a dramatic Medicaid expansion will lead to even greater cost shifting than today, further contributing to higher costs for those with private insurance and lack of transparency that plagues our system today.

This same point holds true for the discussed expansion of Medicare to those aged 55-64. Unfortunately, few details of this proposal have been made available for review, but in general, Medicare also reimburses providers at lower rates than private insurance – and often less than the costs of providing care. Figures just released by the Medicare Payment Advisory Commission (Medpac) show that hospitals' Medicare margins hit an historic low of -7.2 percent in 2008, down from -6 percent in 2007. The health insurance needs of those in late middle age can and should continue to be met through private insurance, rather than the expansion of a government entitlement program designed and intended for the elderly and already facing severe financial challenges in the years ahead.

In closing, we reiterate our support for healthcare reform that truly remedies what ails today's system to improve patient care. The current Senate legislation, while expanding insurance coverage, continues and expands many of the dysfunctions of our current healthcare system. As such, we urge you to help revamp the legislation to address the aforementioned and significant concerns, or oppose any final legislation that does not address these concerns. Hoosiers urgently deserve and need healthcare reform, but it must be smart healthcare reform that dares to tackle the inefficiencies and inadequacies of today rather than putting these off to future generations to grapple with.

We appreciate your service to the citizens of Indiana and thank you for your attention to our concerns. Should you have any questions, please do not hesitate to contact us at your earliest convenience.

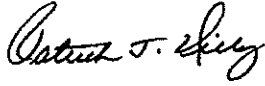
Sincerely,



Kevin Brinegar, President  
Indiana Chamber of Commerce



Kristin Jones, President  
Indiana Health Industry Forum



Patrick J. Kiely, President & CEO  
Indiana Manufacturers Association



Douglas J. Leonard, President  
Indiana Hospital Association