

(Washington, DC) - **Congressman Wally Herger (R-CA)** delivered the following opening statement at today's Ways and Means Committee hearing on health care delivery reform

"Thank you, Mr. Camp, for yielding.

"Mr. Chairman, I anticipate that we will agree on much of what is discussed here today, and I am grateful that you called this hearing.

"We are going to hear about significant payment problems in the U.S. health care system, and specifically about those in Medicare. Republicans believe, as does most every witness here today, that the Medicare payment system is broken – that the payment silos and fee-for-service reimbursements discourage coordination and quality.

"The private health care system is far from perfect, but it has developed numerous advances that the government-run health programs haven't figured out how to adopt. I'm concerned that if "health reform" means that 120 million Americans are forced out of private coverage and into a government-run health plan, our health care system will lose its ability to innovate.

"The current government-run programs are slow to adopt delivery reforms and they reward volume over value.

"Dr. James describes this phenomenon in his testimony; specifically, how the fee-for-service delivery model discourages high-quality care for pneumonia patients. Fortunately, Dr. James and Intermountain Healthcare did the right thing, treated to best practice guidelines and saved lives. But doing so resulted in a half-million dollar loss to their reimbursements. This is a perverse incentive and one we must fix.

"I believe the key to higher quality and lower cost is enacting delivery and payment reforms, like those implemented by Feather River Hospital in Paradise, California, in my district, as part of

the Premier Hospital Quality Incentive Demonstration. I am concerned that if we focus entirely on expanding coverage to all as quickly as possible, we may be putting the cart before the horse. In a recent story on the universal coverage plan in Massachusetts, the New York Times reported that rising costs are threatening the viability of the program, in part because lawmakers had decided to punt on payment reforms in order to avoid alienating various interest groups. If we don't commit to payment reforms, we will lose much of the power the current health reform movement offers us.

"Mr. Chairman, I look forward to the testimony and subsequent discussion with the witnesses, and I yield back the balance of my time."