



Interview with Newt Gingrich, September 30, 2008



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Nancy Bucceri, managing partner of Chaddsford Planning Associates, had the opportunity to speak with Mr. Newt Gingrich, founder of the Center for Health Transformation and former Speaker of the House of Representatives, about the Center's initiatives for 2009 to help move the United States further along in its efforts to make healthcare more accessible, more affordable and more effective for all Americans. Mr. Gingrich introduces his three-point plan for health-based health reform in this interview, which took place in late September 2008. Sitting in with Mr. Gingrich was David Merritt, project director for the Center for Health Transformation.

NB: I am working with David, Intermountain Health and GE on a thought-leadership paper. The paper we're doing is exploring the idea of advancing healthcare reform by operationalizing clinical processes into an outcomes-focused and best practices methodology like Intermountain has done, and being able to deploy them more broadly to the average hospital-based health system, and ultimately physician practices - kind of a grass-roots effort. I know you have spoken about this, and that you have a 3-point plan that calls for a nationwide information highway patterned similarly after President Eisenhower's plan in the 1950s for a national interstate highway system – can you outline your plan and tell us what role the federal government needs to play in each of the three components?

NG: Our current tentative title for it is “Health-based Health Reform”although we've done some polling and it wasn't quite clear to people what we were talking about, so the question is whether we educate people about what we mean or do we find a better term. But what we are trying to say to people is, “what if you rethought the whole system based on health outcomes and you consciously designed a strategy of migrating people: doctors, hospitals, etc., to best practices that are reasonably fast-paced?” We know best practices are less expensive.

You may remember the Wennberg comment at Dartmouth one time: that if you could get the whole country to be as effective as Mayo, you could take 40 percent out of the cost of healthcare, and if you could be as effective as Intermountain, you could take 50 percent out of the cost of healthcare. It always amazed me that no one in Congress figured out he was serious.

So we're starting with the idea, and David is starting to put together some great proposals, on how you can find best practices and then begin to benchmark and migrate people and incentivize them to do those.

NB: Okay, so can you describe, or take us through the whole three-point plan that you talk about, starting with the information highway patterned after the Eisenhower plan?

NG: I wish that we had had an ability today to give a speech that would have outlined this more coherently, because I was sort of overwhelmed by the financial circumstances, so I switched topics this morning at the Press Club, but my goal is, as soon as we get past this initial congressional focus on finance, I want to go back and give this speech.

I think there are three major initiatives the Center for Health Transformation will be launching to try to reshape the debate next year:

The first is to establish the model of health-based health reform in which we would continuously search for new better outcomes, validate them, and then have the federal government incentivize systems to migrate to better outcomes and lower cost.

We would change the Budget Act to allow scoring for that kind of improvement. The example I have been using is the Gundersen-Lutheran Hospital System in La Crosse, Wisconsin's model of advanced directives, palliative care, hospice care, and electronic health records so every body knows what a person's advanced directive is. Your last two years of life cost around \$13,000 at Gundersen-Lutheran and your last two years of life at UCLA cost around \$58,000. People in the Gundersen-Lutheran service area have a dramatically higher satisfaction as families, with the process having dignity and with participation and knowledge and a sense of control.

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So you have to ask the question, “Why is Medicare or Medicaid paying \$45,000 more for the same outcome?” That would be an example of where we are going and what we are putting together...David can get you a whole series of examples. So that is our first big proposal – health-based health reform with a constant migration to new, better outcomes at lower cost in an effort to continuously get every American into a system that gives them the best opportunity to live a long life and a happy, healthy aging.

Our second goal is to create a 21st century electronic health system in which everybody in the health system is electronic, modeled as a goal, not as an implementation plan, but as a goal modeled on Eisenhower’s 1955 National Interstate Highway Act, making the same case for health that Eisenhower made for transportation. That is, we have an absolute national security reason to want every American to have an electronic health record and to be part of an electronic health system, because if we were hit by a nuclear attack, or an engineered biological attack, or a pandemic, or a really large earthquake in southern California, or the scale of hurricanes we saw which left 1,100,000 people with no paper records after Katrina, you’d be dramatically better off; you’d save a lot of lives if you had an electronic system...and we know, as a matter of fact, that an electronic system will dramatically return dividends in fewer medication errors, less unnecessary duplicate testing, and a whole range of issues.

Our goal is to amend the Budget Act to pay for this. We do not want a central government program, let me be quite clear. We want this to be a government sponsored and government incentivized but privately implemented and decentralized program because we don’t think having the federal government try to do this would be very effective.

We do think the government, as the largest payer, and as the institution that has the greatest obligation to protect the health and well being of all Americans, has an interest in getting this done right. So in that setting, we want to amend the Budget Act to allow us to count fraud that is avoided and fraud that is discovered. The benchmark I’ll give you is TSYS, a member of the Center and one of the two largest credit card backrooms in the United States for Mastercard, Visa and American Express. Their fraud average, because they can use real-time, online expert systems to analyze what’s happening, is two tenths of one percent. If it gets above two tenths of one percent, they get very concerned.

The *New York Times* reported in 2005 in a four-part series, that New York State Medicaid probably has fraud above 10 percent. And that means that one out of every ten dollars the taxpayers are sending in to help the poor in New York is being stolen. That comes out to \$4,400,000 a year in New York alone, in Medicaid alone.

If you could only get to be one tenth as good as TSYS, so you had a two percent fraud rate because we are, after all, talking about government, that would still save you \$3.9 billion a year. And our argument is, you will never catch up with the crooks in a paper-based system because they always have a dramatic preference...you know they’re going to get ahead and you’ll never be able to audit the paper fast enough. But we know for a fact that with electronic real-time overlay of expert systems, they routinely catch crooks in the middle of the day. I mean, it’s a much different world to try to defraud an electronic system.

Today, the Congressional Budget Office, which manages the budget, would never count saving \$3.9 billion a year. We think that’s nuts, we think it’s a sign that they are out of touch with reality, and so we would amend the Budget Act to say that fraud avoided and fraud discovered would be allowed to count to help pay for the electronic health system.

We believe that by the time you get done implementing an electronic health system in December 2012, which will be our goal, we believe you’d have so many savings from unnecessarily duplicated tests, from medication errors and other errors, from surfacing quality information so you can improve the system from tracking fraud...I think the Rand Corporation, and David can correct me if I get it wrong, their estimate was \$800 billion in savings over 10 years..\$80 billion a year, and I don’t think Rand counted fraud, did they?

DM: No

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NG: And they didn't count the fraud money! So, our goal then would be to take the surplus we would gather from the efficiencies and effectiveness of an electronic system, and apply the surplus to helping provide tax credits and vouchers so that everyone...every American is in an insurance system paid for by the savings you've made in the current 16 or 17 percent of GDP going into health.

The last big proposal we have is to fundamentally change the Budget Act to create a science and research investment-based budget and the model is very simple. We have an Alzheimer's study group that Bob Kerrey, former Democratic senator from Nebraska, and I co-chair. We have former Supreme Court Justice Sandra Day O'Connor serving on it along with a Nobel prize winner and the provost at Harvard and a bunch of really smart people. The estimate is that over the baby boom generation's retirement years, the cost of Alzheimer's to the federal government will be \$1.2 trillion. And of course it also costs a great deal to the private sector and it is a very painful disease for a family to live through. Our sister-in-law, her mother has Alzheimer's, and we're experiencing it right now.

If you could postpone Alzheimer's by five years - not cure it, just postpone it - you save \$600 billion and an immense amount of human agony. So the question is, "What's a reasonable amount to invest in scientific research in Alzheimer's if you have a \$600 billion upside sitting on the table?" Today, the budget system is so destructive you can't find the money to fully fund the National Institute of Health, and you can't find the money to fully fund the National Science Foundation, but you *can* find \$152 billion for a stimulus package that buys nothing. You *can* find \$300 billion for a bailout for housing that buys nothing, including \$500 million a year for ACORN's left-wing activist group, and you *can* find \$700 billion for Treasury to bailout Wall Street. So in one year, we're finding \$1.2 trillion in various bailouts, which by the way happens to be the amount that Alzheimer's will cost over the lifetime of the baby boomers. So we're suggesting that we fundamentally change the Budget Act to actually go to the scientific community to find out: What is the optimum, science-based budget we could reasonably invest in to maximize the development of new health, new energy, new environmental, new national security, new economic growth systems, that would more than pay for themselves if we're prepared to make the investment?

So, those are our three big proposals:

1. Health-based health reform
2. A 21st Century electronic health system, and
3. A science and research-based investment budget.

NB: Now, what are the barriers that you anticipate having to overcome to get this to happen?

NG: Look, the mythology of Washington is that the Congressional Budget Office is a pristine...august... sacrosanct scoring machinery, whose word we must trust. There is actually a quote from Nancy Pelosi who once said the CBO was God. The Office of Management and Budget obviously is a very powerful bureaucracy located next to the White House and serving the president. Both groups have enormous bureaucratic capacity to resist change. Both have enormous supporters in the elite media, who will promptly scream that we are being irresponsible. The fact is, if you look in the real world and you talk to people who operate in the real world every day, neither institution is technically accurate, neither institution understands the future.

I, quite frankly, got pulled down this track by Fred Smith, who is the founder of FedEx - we were talking about national security, we had breakfast in February 2005 -- and I was walking him through a problem and after two hours he stopped me and he said, "Newt, as long as the government can't distinguish between an investment and cost, you will never be able to modernize it." He said, "I could never get CBO or OMB to score FedEx. They would want to take out the wireless and they would want to take out the computer and then they'd wonder why trucks weren't the same as FedEx. And they'd blame me for being a bad manager." Well, he went back home to earn a living, and I was just fixated on how fundamental his comment was. We recently discovered that the Office of Management and Budget actually prohibited a New Orleans grant, I think it was \$100 million, David has the details, but I believe it was \$100 million, which the Office of Management and Budget *prohibited* them from using any of the money to buy health

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information technology. Now this would be as though they insisted that they deliver all the things they were doing by stagecoach. I mean, you can't imagine what a backward, reactionary and arrogant group operates in both the OMB and CBO, because they have been, for too long, unchallenged centers of power. And my answer is to just change the Budget Act. I spent over 15 years of my career arguing with and lecturing these guys, and I have concluded they are centers of power, and that Lord Acton was right, absolute power corrupts absolutely. They have absolute power and they have been absolutely corrupted intellectually. So I think, change the Budget Act and scoring.

NB: Okay, so that would be the primary vehicle for affecting change - changing that Budget Act?

NG: Absolutely. Nothing would change Washington more decisively than to move to an investment budget and fundamentally take away from CBO and OMB the ability to kill the future.

NB: Now, how do you go about that...how do you go about changing the Budget Act?

NG: I tell you, you write about it, congressmen read it, their constituents think it's smart, their constituents go to town hall meetings and say, "Are you for doing something smart, or are you determined to be stupid?" They decide being smart is better than being stupid, they come back and eventually pass a bill, and...that's how we passed welfare reform! Sixty-five percent of the people either went to work or went to school because of a bill that took us years to pass, but when we finally passed it, 92 percent of the country was in favor of it, including 88 percent of the people on welfare.

NB: What impact do you think the 2008 presidential election will have on the federal government's role in advancing health IT – does it matter in our IT pursuits whether it's universal healthcare through Barack Obama or free market reform through John McCain?

NG: On the issue of health IT, I don't really know. I don't think either person has a particularly strong record in this area. We've worked closely with John Kerry, and with Hillary Clinton and with Patrick Kennedy and with Senator Whitehouse of Rhode Island in a very bi-partisan way on these issues, as well as working with Bill Frist and Tim Murphy and a number of Republicans; with John Ensign and John Sununu and others. So I think it's a bipartisan issue.

I think the more interesting question right now is, given the total meltdown on Wall Street and the scale of money this administration is throwing away, I'll be curious to see what either guy says as the new president in January, given the scale of the challenges he is going to face. What we offer them is a fundamentally new systems approach that doesn't take much new money. But it takes a willingness to re-score and re-think the money that is already being spent. We're not asking for new money in our first two proposals, and we believe in our third proposal you can actually finance it in very new and creative ways by making it a long-term investment.

NB: To your earlier point, my firm worked in Texas on a project just a few years back, where what they were doing was using a biometric authorization system for Medicaid to reduce fraud. And at the time Texas was estimating \$1.5 billion a year was being lost to fraud. So we worked on this pilot, and it did work, it eliminated fraud, but when the pilot was over, it never went any further. So, one of my questions for you, in terms of barriers, and you talk about the Congressional Budget Office and the OMB, on the Medicaid level- is that part of the problem?

NG: I don't want to be too harsh about the Center for Medicare and Medicaid Services, because as we've worked with them, and David and I have worked with them a lot, we found a lot more willingness to change at the Center for Medicare and Medicaid Services, who are then blocked by the Office of Management and Budget. I think under both Secretary Thompson and Secretary Leavitt, I don't know... Thompson now that he is out might talk to you about this...the number of good ideas they had that OMB killed is just heart breaking. And part of it is, you go talk to these guys...I've always described it as sitting next to a CBO or OMB scoring person, debating whether or not you should score travel from New York to Los Angeles as an airplane trip or as 28-nights in stagecoach hotels, and having them explain to me that the

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airplane was an uncertain new device, while they were on the plane flying to Los Angeles. And what you described is a good example. You walk in and you say to them, "Here's how much money we'll save, here's the proof of the project, why don't we save this amount of money?" They tell you they can't make a million dollar investment to save \$100 million because it doesn't fit in this year's budget, so the next 10 years you throw away \$100 million in fraud because they couldn't find \$1 million and they refuse to score the \$100 million of savings. It's exactly the point that Fred Smith was making.

NB: You mention the current financial crisis, and you said that was one of the more interesting questions, and that was one question I have for you – how is that going to impact our ability to move forward as a nation with healthcare reform?

NG: Well, what we're proposing at the Center, it may actually help us. Because what we're proposing is: Don't think about more money. Think about being dramatically smarter. If I could get everybody in the country to migrate towards the Gundersen Lutheran model, you'd probably save \$4-10 billion a year. If we can get New York State to adopt an electronic model for Medicaid, you'd probably save at least \$3.9 billion a year. If you think smarter, people live longer, they live healthier, they have better care, they have fewer hospital infections, they have fewer medication errors.

You know, Piedmont Hospital went to a computer-based physician order entry with a course on quality and took 93 percent of their medication errors out of the system. That's the scale of change I'm talking about.

NB: Yes, and I think that is what Intermountain and GE are talking about – how they can affect that kind of change prior to any revolutionary change in the industry.

NG: Now David has been out working with them in Utah and we're very excited about the project because we think this is an example of trying to create something which is real, which elected officials will be able to touch, where it's not a theory, it's not an abstract idea, and so we are very excited to see the evolution of this, because we think it could have very profound changes for the entire country.

NB: Okay, well that actually covers all of my questions. I don't know if you have any other comments that you'd like to make.

NG: No, we're both very happy. David is nodding that we're happy.

NB (laughs): Okay, thank you very much.

About the Center for Health Transformation

The Center for Health Transformation, founded and led by former House Speaker, Newt Gingrich, is a high impact collaboration of public and private sector leaders dedicated to the creation of a 21st Century Intelligent Health System that saves money and saves lives for all Americans. For more information, please visit its website at <http://www.healthtransformation.net>.