

EXHIBIT

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Opening Statement
Health and Human Services Secretary-Designate Kathleen Sebelius
Senate Committee on Finance
April 2, 2009

Chairman Baucus, Senator Grassley, members of the Committee, thank you for inviting me here today to discuss my nomination to be the Secretary of Health and Human Services.

I am honored that President Obama has asked me to fill this critical role at such an important time.

I am also honored to have the opportunity to testify before this Committee, which has a long record of meaningful involvement in the debate over health care in America, and is uniquely positioned to help advance the cause of comprehensive health reform. In particular, I want to recognize the tireless work of Chairman Baucus and Senator Grassley in recent years to lay the groundwork for health reform – from your health reform summit last June to the series of hearings you convened in the 110th Congress to examine the components of health reform.

And because the Finance Committee's jurisdiction encompasses Medicare, Medicaid, and the Children's Health Insurance Program – the government's largest and most important health care programs – as well as the tax code, this Committee controls many of the key levers that will help us make health care more affordable and accessible. If confirmed, I look forward to partnering with you to build on your experiences as we work to enact meaningful health reform this year.

The Department of Health and Human Services strives for a simple goal: protecting our nation's health and providing essential human services. Among its many initiatives, the Department supports genomics research to find cures for debilitating diseases that afflict millions of Americans and challenge their families; provides children the health care, early education, and child care they need to enter school ready to learn; and protects the health and well-being of seniors through Medicare. The Department is also charged with sustaining our public health system and promoting safe food, clean water and sanitation, and healthy lifestyles.

Working in concert with scientific advances, medical breakthroughs, and an ever-evolving understanding of the human condition, the Department's efforts have made a difference. People born in 2000 can expect to live nearly three decades longer than those born in 1900. Since 1900, infant mortality has dropped by 95 percent and maternal mortality by 99 percent. Diseases like polio have been eradicated.

Yet, at the beginning of the 21st century, we face new and equally daunting challenges. We face an obesity epidemic that threatens to make our children the first generation of American children to face life expectancies shorter than our own. Globalization has made a flu strain in a remote country a potential threat to America's largest cities. We now must guard against manmade as well as natural disasters, as disease has become a weapon. Perhaps most

importantly, we face a health system that burdens families, businesses, and government budgets with sky-rocketing costs. Action is not a choice. It is a necessity.

Work on Improving the Health of Kansans

I'm excited to join the President in taking on these challenges. Many are the same challenges I've addressed as Governor, as Insurance Commissioner, and as a State Legislator. I'm proud to have worked for more than 20 years to improve Kansans' access to affordable, quality health care; to expand access to high-quality child care and early childhood education; to assist seniors with Medicare challenges; to work to expand the pipeline of health care providers; and to ensure access to vital health services in our most rural areas. In Kansas, affordable health care for children, seniors, and small businesses has been a special priority for me.

I was asked by my predecessor, Republican Governor Bill Graves, to lead the team to design and implement the Children's Health Insurance Program. Our separate insurance initiative called Health Wave is modeled on the state employee program. Its enrollment started at 15,000 in the first year; today, it covers over 51,000 children. And the Legislature just voted to support my recommendation that our CHIP program be expanded.

I have also worked to make life-saving medications affordable. I established counseling programs to help seniors navigate the complicated Medicare prescription drug benefit plan. When seniors started falling through the cracks of the new drug program, I directed the State to pay their prescription costs to Kansas pharmacies to prevent the loss of coverage. During this period, we filled 45,000 prescriptions for Medicare-eligible seniors.

These efforts have yielded results. The uninsured rate in Kansas is lower than the national average. Our health statistics are improved. And Kansas has been ranked first for health care affordability for employers and received a five-star rating for holding down health care costs.

I have also been a health care purchaser, directing the state employee health benefits program as well as overseeing the operation of health services in our correctional institutions and Medicaid and CHIP programs, and coordinating with local partners on health agencies across Kansas. I took these jobs seriously. In November 2005, we successfully negotiated a new health insurance contract to reduce premium costs with no loss of benefits for thousands of state employees. At a time when health costs were skyrocketing, I worked with the Legislature to streamline the health care bureaucracy, and leverage our purchasing power within state government. I signed legislation to create a new independent state agency, the Kansas Health Policy Authority, to manage nearly all of the state's spending on health care, simplify the process of obtaining health care, and use the State's buying power to reduce costs. We have launched focused prevention and wellness efforts, in collaboration with schools, communities, employers, and senior centers. Our health IT work has been nationally recognized, and we are the first state in the country to use a "smart card" for our Medicaid population. As Insurance Commissioner, I created a Fraud Squad that worked with the Attorney General's Office to aggressively pursue fraud and abuse, and recovered millions of dollars during my tenure.

In these roles, I know first-hand the challenge of standing up to the special interests to protect consumer interests. As Insurance Commissioner, I made a patient-protection bill the centerpiece of a 2000 legislative proposal. In 2002, I took the then-unprecedented step of blocking the sale of Blue Cross and Blue Shield of Kansas to the health care holding company of Anthem of Indiana. I did so because all evidence suggested that premiums for Kansans insured by Blue Cross would have increased too much, and providers would have been adversely impacted. I was the first State Insurance Commissioner to block such a deal, although others have followed.

Health Reform

I hope you give me the opportunity to apply my experience as a Governor and Insurance Commissioner to the challenges of advancing the health of the nation. These challenges are significant.

Health care costs are crushing families, businesses, and government budgets. Since 2000, health insurance premiums have almost doubled and an additional 9 million Americans have become uninsured. Since 2004, the number of “under-insured” families – those who pay for coverage but are unprotected against high costs – rose by 60 percent. Just last month, a survey found over half of all Americans (53 percent), insured and uninsured, cut back on health care in the last year due to cost.

The statistics are compelling, as are the stories. During the transition, the President encouraged Americans to share their personal experiences and stories through Health Care Community Discussions. Over 30,000 people engaged in these discussions. In Manhattan, Kansas, a parent told the story of a 27-year-old son who was working at a convenience store. Although he was offered insurance, he thought it was too expensive. A bicycle accident sent him to the emergency room and generated a hospital bill of more than \$10,000, which he and his parents are struggling to pay off.

In Pittsburg, Kansas, a health care provider shared that during the last three years, three women in similar situations had been identified with breast cancer. One woman received care, as she had insurance, and had a good health outcome. Two women had to wait for a pre-existing condition time delay on their health insurance to lapse; both ended up with their cancers advancing, and neither received care. Heartbreakingly, both women died within the year.

And, in Houston, Texas, the challenges health costs pose to businesses were discussed. One participant asked, “How can you go out on a limb and start a new business when health care is a noose around your neck?”

We have by far the most expensive health system in the world. We spend 50 percent more per person than the next most costly nation. Americans spend more on health care than housing or food. General Motors spends more on health care than steel.

This cost crisis in health care is worsening. The United States spent about \$2.2 trillion on health care in 2007; \$1 trillion more than what was spent in 1997, and half as much as is projected for 2018.

High and rising health costs have certainly contributed to the current economic crisis. A recent study found nearly half of Americans with homes in foreclosure named medical problems as a cause. Rising health costs also represent the greatest threat to our long-term economic stability. If rapid health cost growth persists, the Congressional Budget Office estimates that by 2025, 25 percent of our economic output will be tied up in the health system, limiting other investments and priorities.

This is paralleled in federal and state budgets. Rapid projected growth in Medicare and Medicaid accounts for most of the long-term federal fiscal deficit. And, at the state and local levels, policy makers are increasingly put between the “rock” of health care costs and the “hard place” of other priorities, like public education and public safety.

American jobs are also at stake. “Old-line” industries are striving to maintain both coverage and competitiveness – locally and globally. New industries and businesses are struggling to offer coverage in the first place. Both workers and their employers are concerned about the future of employer-sponsored health insurance. Currently, there’s no relief in sight.

This is why I share the President’s conviction that “health care reform cannot wait, it must not wait, and it will not wait another year.” Inaction is not an option. The status quo is unacceptable, and unsustainable.

Within days of taking office, the President signed into law the reauthorization of the Children’s Health Insurance Program. This program’s success in covering millions of uninsured children is a hallmark of the bipartisanship and public-private partnerships we envision for health reform. Implementing this program in partnership with the states will be one of my highest priorities.

President Obama has also worked to enact and implement the American Recovery and Reinvestment Act in partnership with governors, mayors, Congress, and private partners. This legislation includes essential policies to prevent a surge in the number of uninsured Americans. It also will help an estimated 7 million people affected by unemployment keep their health insurance through COBRA (i.e., continuation coverage for certain workers leaving their jobs). There is essential additional aid to states providing health benefits, making sure that people with disabilities and low-income Americans who rely on Medicaid benefits don’t lose coverage as states try to balance their budgets. The Recovery Act prevents an already-bleak health-coverage situation from getting worse.

The Recovery Act also makes positive investments now that will yield health and economic dividends later. Through health information technology, it lays the foundation for a 21st-century system to reduce medical errors, lower health care costs, and empower health consumers. In the next five years, HHS will set the standards for privacy and interoperability,

test models and certify the technology, and offer incentives for hospitals and doctors to adopt it. The goal is to provide every American with a safe, secure electronic health record by 2014.

The Recovery Act supports vital information gathering as well as information technology. It invests \$1.1 billion in comparative effectiveness research to provide information on the relative strengths and weaknesses of alternative medical interventions to health providers and consumers.

The Recovery Act also makes an historic investment in prevention. We cannot achieve our ultimate goal – a healthier nation – unless we shift away from a sick-care system. We pay for emergencies, not the care that prevents them, with little emphasis on the responsibility each of us has in keeping ourselves and our families well. The \$1 billion for prevention in the Recovery Act will empower every American through immunizations, chronic disease prevention, and education.

The President's budget submitted in February continues the work begun in the Recovery Act. It dedicates \$634 billion over 10 years to reforming the health care system. Its specific proposals would align payment incentives with quality, promote accountability and efficiency, and encourage shared responsibility. The President recognizes that while a major commitment, the reserve fund is not sufficient to fully fund comprehensive reform. He is committed to working with Congress to find additional resources to devote to health care reform.

The President is also committed to hearing from Americans across the nation. In March, he held a White House health care forum and several regional forums in places like Iowa, Vermont, and North Carolina. There, bipartisan forums brought together people from all perspectives – across the political spectrum and representing all people with a stake in the system – to focus on solutions.

Again, we appreciate the steadfast leadership of the Senate Finance Committee to address this urgent challenge. The leadership in Congress is getting to work to solve this great challenge for our nation, and we hope to see action in the coming months.

Should I be confirmed, health reform would be my mission – as it is the President's – along with the tremendous responsibility of running this critical Department. And so, I would like to highlight a few of the opportunities and challenges currently facing the Department.

Centers for Medicare and Medicaid Services

Medicare, Medicaid, and the Children's Health Insurance Program (CHIP) are key components of health care coverage in our country. As the organization under which they each operate, the Centers for Medicare and Medicaid Services (CMS) will have a vital role to play in promoting health care reform and its goals of affordability, accessibility, and quality.

If confirmed, I will work with you to ensure that all those eligible for Medicare, Medicaid, and CHIP are enrolled. I will strengthen these programs' roles in protecting Americans with the highest costs and lowest incomes. This includes ensuring that individuals

with disabilities receive care that is high-quality and adaptable to their needs. And it includes improving their performance in providing long-term care, which is so critical to so many Americans.

CMS can also promote quality and efficiency, enhancing value for beneficiaries and taxpayers and leading by example for health reform. It can use 21st-century information technology to ensure its payments are aligned with quality and are fair, yet not excessive. CMS can support disease management, “medical homes,” and other approaches to improve care and potentially reduce costs for people with chronic conditions. In addition, by using its demonstration authority, CMS can identify the cutting-edge practices that lay the foundation for a high-performing health system.

At the same time, it is imperative for CMS to focus on prevention and primary care, steering its resources toward wellness rather than sickness. To that end, as Secretary, I would break down the silos at HHS so programs for health services, public health, and human services work seamlessly to make this transformation.

Administration on Aging

As we address these challenges in our health system, we cannot lose sight of families struggling with the daunting challenge of long-term care. We know the risk of needing long-term care services increases with age. The number of those 85 and older will increase from 5 million in 2006 to 21 million by 2050, further adding to the strain on individuals, families, and the public sector to finance the cost of critical services. The average out-of-pocket costs facing family caregivers are \$5,500 per year.

For more than 40 years, the Administration on Aging has played a prominent role in promoting home- and community-based long-term care services, providing a broad array of support services including home-delivered and congregate meals, transportation, and personal care for seniors, as well as information, training, and respite care for their family caregivers. This agency will be a critical partner in expanding our capacity to provide community long-term care services.

Administration for Children and Families

The Administration for Children and Families plays a vital role in getting our children ready to learn and thrive in school, helping low-income working families struggling to make ends meet in this difficult economy, and meeting the basic needs of vulnerable populations such as abused and neglected children, refugees, and individuals with disabilities.

If confirmed, I look forward to continuing the Department’s critical leadership in early learning and development through the Child Care Development Fund as well as Head Start and Early Head Start. As the Administration works to turn around our economy, we recognize that the recession will have its greatest impact on the most vulnerable among us – low-income families with children. Through child care, child support, energy assistance, and other work supports, this agency helps low-income parents and their communities weather this economic

storm. The Administration for Children and Families also works with special populations, including abused and neglected children, refugees resettling in America, runaway and homeless youth, and persons with developmental disabilities. Our current economic crisis will only exacerbate the challenges faced by these populations and the organizations that support them. If confirmed, I will examine ways to improve these programs through evidence-based approaches that make a difference for these families and children.

Conclusion

Leading the Department of Health and Human Services and working with the President to reform the health system won't be easy. If it were, as the President has noted, our problems would have been solved a century ago. But the status quo cannot be sustained, and is unacceptable both for our economic prosperity and the health and wellness of the American people. Previous opponents of health care reform are now demanding it, putting the common interest in an affordable, quality system of care for all ahead of special interests. And policy makers like you are reaching across party and ideological lines to accomplish this urgent task. I hope I have the opportunity to join you, and I look forward to your questions.