

Governor Mike Pence Remarks at AEI
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Thank you, Arthur, thank you for that very kind introduction. And thank you for the hospitality of the American Enterprise Institute. I am genuinely grateful to you and the AEI family, not just for your hospitality today, but for really keeping the twin lights of freedom and enterprise burning brightly in a city that too often seems committed to extinguishing those lights in our nation. AEI's mission, as I see it, is about keeping the hope of opportunity of a better life and a more vibrant society alive and well in this country – and promoting empirically grounded fresh ideas to make that possible. So it's an honor for me to be with you today, and please join me again in thanking the American Enterprise Institute and Arthur Brooks for his great leadership.

Like many other admirers of yours and of your work here at AEI, Arthur, I have been influenced by your writings and your sense of the term "earned success." I come from a state that works. It's a state where people value hard work. And so I see the principle of earned success lived out every day across the 92 counties of Indiana.

As I travel across my home state, I see it in the school teacher who helps at-risk kids after school to help them graduate and go to college; I see it in the entrepreneurial business owner who started a business in their living room and now employs 50 people; or the police officer who takes pride in keeping the peace on our streets each and every day. I see it in cities large and small all across the state of Indiana that principle that you've articulated so well, that people are happier and more motivated when they build something of their own. When they take greater ownership in their lives and they earn the success,

whatever level of success that is. And that principle is much of what brings me here today.

What I'm here to talk about today is related to that point, and it concerns the future of health care in America. And particularly how Indiana has been leading the way for the kind of reform that I would submit respects the dignity of every person regardless of their income and honors the aspiration of every person for a better life. I agree with the thinking of those here at American Enterprise Institute who have made the case that reform-minded conservatives need to ensure that the safety net is well-designed and strong to provide a firm basis for those starting out on life's ladder. I cite none other than President Ronald Reagan, who would say in New York City in 1979 these words. President Reagan said, "We have long since committed ourselves as a people to help those among us who cannot take care of themselves." But he added, "The federal government has proven to be the costliest and most inefficient provider of such help we could possibly have." I would submit once again Reagan was right.

The truth is the safety net doesn't need to be expanded, as some in this town argue incessantly, and it doesn't need to be abolished, as some also argue. It needs to be reformed. It needs to be made better, and I believe that can best happen in the laboratories of innovation and democracy at the state level. If you think of what President Reagan said so many years ago, that we have long-since committed ourselves to help people who can't help themselves, but that the federal government itself was the least suitable to do that.

I come before you today to really say that when it comes to the issue of health care, I believe that people in my party need to be "solutions conservatives," offering real alternatives to the big government answers of the liberal establishment that are grounded in respect for the aspiration of every person to earn their own way, to succeed, to

achieve self-sufficiency, and to do that in the best way possible with the kind of innovation that can happen all across the country on a state-by-state level.

Now I say all of this recognizing that this is the very antithesis of the approach embodied in the Affordable Care Act. Ordering every American to buy health insurance whether they want it or need it or not is not the answer to expanding access to affordable health care in America.

I've said it before and I'll say it again -- Obamacare must be repealed. And Obamacare must be replaced with market-based reforms and, as I'll elaborate more today, with a flexible Medicaid block program that allows the states to create innovative solutions at the point of the need. I have and will continue to advocate for a Congress and a President that have the political will to repeal Obamacare so we can do even more to improve health access and outcomes. Some of you who have known me for a while in this town know I was a pretty vocal opponent of Obamacare when I was in the Congress. I said then that this law will not stand, and I believe that more today than ever before.

Even though Obamacare's architects and boosters are breathing a little easier it seems these days, the program is still terribly flawed and should be repealed. It's bad for families. It's bad for business. And it's bad for America. And despite the great progress we have been making in our economy in the state of Indiana, there's not a day that goes by that I don't travel across the Hoosier state and hear people tell me that the implementation of the Affordable Care Act has a dampening effect hanging over Indiana's economy and our nation's economy. It's truly stifling growth in America.

Early in our administration against that backdrop, I made it clear that Indiana would not establish a state-based exchange, and I stand by that

decision.

Everyone knows the fiscal position of these exchanges is untenable even if they won't admit it. And come November, when the rates rise again, I predict you'll see another big drop in public support.

It was a government takeover of health care and the overly-regulated, top-down, command-and-control structure of the law will never allow the exchanges to operate freely as they should. And as a result, access will stay the same or get worse as costs go up.

I always thought that was the fundamental flaw of the argument on the other side. Most people back home I talked to when I was serving in the Congress would say they were most concerned about the cost of health insurance. But the focus in the Congress wasn't on lowering the cost of health insurance, it was about growing the size of government. And that's how the Affordable Care Act came to be.

So Obamacare needs to be repealed for all these reasons and, I would submit to you, for one more, because it's pushing a massive, flawed Medicaid program on the states.

I believe a plan for state-based Medicaid reform is not only entirely consistent with the repeal of Obamacare, but I believe it helps make the case for why repeal is needed.

Republicans in Congress have long argued for reforming Medicaid into a block grant so the states have the flexibility to design better programs. I can't think of a budget I voted for during my years in Congress that didn't include block granting Medicaid back to the states. And I submit to you today that in the debate over health care reform, states need to lead the way – like Indiana is doing.

Last week I announced that the State of Indiana will seek to do just that, to seek flexibility from the federal government to close the

coverage gap by expanding our own homegrown health care solution known as the Healthy Indiana Plan.

Honestly, I have been talking about using the Healthy Indiana Plan as the basis for expansion of health care coverage in Indiana since even before I took office in January of 2013. Today I am pleased to have the opportunity to share with each one of you the details of our Administration's proposed waiver to expand the Healthy Indiana Plan and offer consumer-driven, private market-based health care coverage to low-income Hoosiers.

First, a little bit of background:

Today in Indiana we have some 350,000 low-income, working Hoosiers – those below 100 percent of the federal poverty level. For a family of four, that's about \$24,000 a year. These are Hoosiers who lack access to the kind of quality health insurance that many of their better-off neighbors enjoy. Experts rightly call this the "coverage gap." Many Hoosiers up to 138 percent of the federal poverty level, which is about \$33,000 a year in income for a family of four, also cannot access affordable coverage and live with uncertainty in their families as well. Last week when we made our announcement, I had the opportunity to introduce the people of our state to a number of Hoosiers who fall into this coverage gap. Working men and women, who are out rolling up their sleeves oftentimes in the most difficult circumstances, but courageously moving forward in providing for their families.

People like Becky Kinkead and Beth Murphy, proud Hoosiers all, who find themselves essentially caught in that gap where their income simply doesn't give them the ability to purchase health insurance for themselves or for their families.

Some of our neighbors across the Midwest have chosen to address the coverage gap by expanding traditional Medicaid. I respect the decisions that others have made, but I'm here to talk about Indiana's decision. From the beginning of my tenure as Governor, we have been saying no to Obamacare in Indiana. We declined a state based exchange, and I have made it clear from the outset that we will not expand traditional Medicaid on my watch.

Medicaid is not only broke, it's broken. Medicaid is not a program we need to expand. Medicaid is a program we need to reform. It was nobly created some 50 years ago to help the poor and those with disabilities access quality health care. Truth be told, Medicaid has morphed into a bureaucratic and fiscal monstrosity that does less to help low-income people than its advocates claim.

And Obamacare advocates continue to promote Medicaid expansion despite the overwhelming evidence that the program doesn't work as it is supposed to. As a highly anticipated study in Oregon showed just last year, Medicaid actually increased emergency room use by enrollees and produced health outcomes that were no better than being uninsured. Other studies have also shown that health outcomes are no better, and sometimes even worse, for people covered by Medicaid compared to those with no coverage at all.

Last year's Oregon study should have sent shockwaves through the ranks of public health policy experts and advocates across the country. For some reason it didn't do that. It should have caused people to pause and ask themselves how expanding a program that doesn't improve health outcomes was the right approach for America, or how it's just and fair and right to do that.

If you care about low-income Americans, why in the world would you want to expand a program that provides such inadequate coverage?

The only thing Medicaid does well is make it onto the GAO's list of high-risk federal programs every year. We all know doctors who see Medicaid-eligible individuals for free rather than dealing with Medicaid. The program is bureaucratic, difficult, prone to fraud, and complicit in the growing disconnect between coverage and access in health care.

Let me say again, Obamacare needs to be repealed for many reasons, including that it's pushing a massive, flawed Medicaid program onto the states.

Medicaid expansion proponents are satisfied with covering a vulnerable population with a program that is so deeply flawed. But I'm not.

Fortunately, Hoosiers have found a better way.

In Indiana, we have learned that the way to change Medicaid is to base the program on what we know improves health and lowers costs, namely consumer-driven health care using health savings accounts.

Let me brag on the Hoosier State for just a second. We think Indiana is actually the birthplace of health savings accounts. Some of you in the policy community here in our nation's capitol remember the name J. Patrick Rooney. He was an insurance executive and a visionary. In addition to his idea he called medical savings accounts, which he, perhaps more than any other American, popularized on Capitol Hill and was able to achieve being added into the tax code as a pilot program, he also personally financed the first privately funded educational choice program in the United States of America. J. Patrick Rooney was my friend and a visionary Hoosier, and we miss him.

Beginning with his vision in the early 1990's, Indiana became a centerpiece for the discussion about consumer-driven health care. Today, Indiana has more public employees – 96 percent in our state government – enrolled in HSA plans, more than any other state, and

our private marketplace has a higher percentage of people enrolled in consumer-driven plans compared to many other states. So the Healthy Indiana Plan, built as it is on health savings accounts and on consumer-driven health care, makes most sense being launched and piloted and expanded in the state where consumer-driven health care, in many respects, was born.

Six years ago against that backdrop and progress, Indiana became the very first state to successfully create a consumer-driven health plan to expand quality health insurance coverage to the population covered in Medicaid. It was created on a pilot basis and we called it, as I mentioned, the Healthy Indiana Plan. It provides health savings accounts today to some 40,000 Hoosiers and empowers them to take ownership of their health decisions. And it works.

The Healthy Indiana Plan integrated the principles of consumer behavior within Medicaid, encouraging enrollees to take charge of their health care and empowering them to act as consumers in the health care market. Here are some of the facts.

The Healthy Indiana Plan has lowered inappropriate emergency room use by 7 percent compared to traditional Medicaid during the course of the program. Sixty percent of HIP enrollees, and that's our acronym you'll get used to, use preventive care, which is similar to the rates we see in the general commercial marketplace. HIP enrollees choose generic drugs at a much higher rate than people covered by other private insurance plans. In fact, when you think in a broad sense, consumer-driven health plans have been shown to decrease health care spending by 25 percent across the country, and those public employees that I mentioned in the state of Indiana – who have a 96 percent enrollment rate in health savings plans – save about \$23 million a year for taxpayers in Indiana thanks to the adoption of consumer-driven

plans. We are also beginning to see this downward trend in health care costs within the Healthy Indiana Plan.

HIP enrollees also have a proven track record of managing their own health care decisions. Ninety-three percent of HIP enrollees make contributions to their savings accounts on time, and a third of them say they regularly ask their health care providers about the cost of services. Ninety-eight percent say they would enroll in HIP again if they were given the choice. In a word, Indiana has proven in the last six years that consumer-driven health care works. And it works for those who are starting out on the first rung on the ladder of the American Dream.

Because of this success, last week my administration announced plans to submit a waiver to the Center for Medicare and Medicaid Services to replace traditional Medicaid in Indiana for all able-bodied adults with an expanded version of the Healthy Indiana Plan. This will go for those up to 138 percent of the federal poverty level. We actually call it HIP 2.0—my kids liked that.

HIP 2.0 would offer three basic options. First, there would be a premium assistance plan that helps low-income working Hoosiers access employer coverage, and second, we have two HSA-like plans with varying degrees of coverage. It's essentially a three-legged stool for health care in Indiana.

We call it HIP Link, HIP Plus and HIP Basic. Each of these would allow people to utilize private insurance options and consumer behavior to increase access to quality health care and to manage costs and health outcomes in the long run.

Our proposed HIP 2.0 would offer HIP Link, which is a premium assistance program, and it is the first of its kind in the United States of America. This is a first in the nation. Those who qualify for HIP Link

would receive a defined-contribution from the state into what we call their POWER account that they can use for premiums, co-payments or deductibles.

Secondly, is the first of the two health savings account-like programs. HIP Plus is available to all qualified HIP members who make their POWER account contributions, which range from \$3-\$25 a month, based on income. The HIP Plus plan offers enhanced coverage including vision and dental services for adults and a comprehensive prescription drug program. It also covers maternity services with no cost sharing during the duration of the pregnancy.

Lastly is HIP Basic. It is something of a default plan. It is exclusively for Hoosiers that fall below 100 percent of the federal poverty level who fail to make their required contributions to their health savings account. Members of this plan must make co-pays. They will receive fewer benefits until they can begin to contribute to their health savings accounts and move back into the HIP Plus program.

Again, in summary the premium assistance program helps people who are employed but cannot afford their employer's health plan or do not have access to a plan. The enhanced health savings account plan, HIP Plus, provides incentives to save and use preventive care and offers a more generous set of benefits. The second, HIP Basic, serves as a default for those under 100 percent of poverty who fail to make their payments under HIP Plus. It contains incentives for them to re-enter the HIP Plus program. Both plans penalize inappropriate emergency room use and encourage preventive care instead.

Now contributions are required for all HIP members who choose one of the HSA plans. Those above 100 percent of FPL risk losing their coverage entirely if they do not make contributions, and those below 100 percent FPL, should they stop making contributions, as I said, must

make co-pays and receive fewer benefits until they begin to make contributions again. The contribution amounts are reasonable and fair by income level and are designed to be that way. As we have seen in our pilot program, let me say this emphatically, low-income working Hoosiers in our state take pride in managing their accounts and make contributions to their HSA consistently. And we are proud of that fact.

The plan also includes what we call a Gateway to Work referral program that will connect those who qualify for HIP coverage with job training and job search programs offered by the State of Indiana so they can move up and out of the program.

HIP 2.0 is not intended to be an entitlement. It is a safety net program that aligns incentives with aspirations. The plan also includes high co-pays for inappropriate emergency room usage to encourage enrollees to use primary care rather than emergency room care to manage non-emergent health care needs, and I am very pleased to say that HIP 2.0 will be fully funded at no additional cost to Hoosier taxpayers.

HIP 2.0 will be funded through a combination of federal funds and an agreement with Indiana's hospitals, who have partnered with us to improve access to health care coverage within the state of Indiana. This means, if approved by the federal government, our waiver will allow us to expand health care coverage to hundreds of thousands of Hoosiers with no new state spending and no tax increases required.

Now if I haven't thoroughly confused you, or if I have, you can go to our website and read all about HIP 2.0 to your heart's content. Visit HIP.in.gov to learn more about this program.

You know I think HIP 2.0 maintains the emphasis on the principles that animate my political career, and I think are at the very heart of the people of our state and the people of this country. They put the

emphasis on personal responsibility and they also represent continuing efforts in Indiana to find innovative, fiscally responsible ways to get people the care they need. Reforming traditional Medicaid through this kind of market-based, consumer-driven approach is essential to creating better health outcomes for the people of our state and curbing the dramatic growth in Medicaid spending.

I truly believe that once Obamacare is repealed, the consumer-driven plan that we're proposing in the Healthy Indiana Plan will serve as a model for what block-granted Medicaid programs could be in states across the country.

With this I will close and be pleased to take some questions

I believe there are only two futures for health care in America today. There is government-driven health care or consumer-driven health care. Years ago, when the Healthy Indiana Plan was first adopted, Indiana chose the better portion by embracing consumer-driven health care, giving eligible Hoosiers the power to make their own health care decisions. And now we are seeking permission from the federal government in a form of a waiver to build on that choice by expanding the Healthy Indiana Plan for even more working Hoosiers.

HIP 2.0 takes consumer-driven Medicaid reform to the next level by replacing traditional Medicaid in Indiana for all non-disabled adults and offering instead a health care culture that is built on healthy, cost-conscious decision making.

Again let me say, HIP 2.0 is not intended to be a long-term entitlement program. Our hope is that people will not be on it very long at all, but will transition into the private insurance marketplace. Taking greater ownership of their own health care will lay a foundation for good health and prosperity for their families as they move up and out of the program and are able to obtain insurance in the marketplace. HIP 2.0 is

a safety net that aligns incentives with earned success; hope and opportunity.

The truth is the soft paternalism of the modern welfare state has failed to honor the dignity of the working poor in many ways, by failing to give them the benefit of the doubt and by failing to believe in them. In Indiana, we believe in our people, regardless of their income, regardless of where they find themselves on the path to success, and HIP 2.0 is really designed and built with that faith and confidence in the people of Indiana and their ability to take hold of their futures if given the opportunity to prosper.

Now lastly let me close, here at this policy group surrounded by so many think tank leaders. Let me ground this a little bit more in the world in which I work every day. Now I think as we talk about policies and coverage and health care reform, the debates that take place on cable television on the airwaves across the country, we must never forget that we are talking about real people, working people who deserve a better way. HIP 2.0, in our proposal to reform traditional Medicaid in Indiana, is about reaching out to people that are working hard to build a better future, but who simply don't have the ability or the means in the health insurance economy that we have today to be able to provide coverage for themselves or for their family. These are real Hoosiers, and I've talked to many of them across our state since I began serving as Governor and one of them, I'll close with, was named Diana.

I met Diana at a visit to Community Hospital East in Indianapolis, just a few weeks back. She was in with a heart condition, but she said it was okay if I came in her room anyway. She was self-conscious about how she looked and I tried to set her at ease, I told her, "You look great." I sat down next to her bed, took her hand and she told me her story. Diana had lost her job and shortly thereafter she started having chest

pain and, even though she knew she could go to the emergency room and get treatment, she waited.

Sitting up in her bed, she said, “The doctors told me I put off coming in a little too long, but I didn’t want to come in because I was embarrassed because I didn’t have insurance.”

Now thank God she is okay, and I prayed for her more than once since that day at her bedside, and she remains in our prayers.

But she touched my heart. I mean here is a hard-working woman who just wanted to find a way to pay her own way and not rely on the free access of a public hospital.

You know I think Diana is like a lot of working Hoosiers, people who don’t want a hand out, but want a hand up.

In Indiana, we have long-cherished the principle that we must “love our neighbor as we love ourselves,” that we must not “walk by on the opposite side of the road” when someone is hurting and in need.

I think it is what makes Indiana special.

And let me just say that’s what HIP 2.0 is really all about—respecting the dignity of every Hoosier, including our working poor, to find a way to cover themselves and their families, respecting their ability to make their own health care choices and empowering them to lead healthier and better lives.

I think the Healthy Indiana Plan is a better way—a better way to better health, to better coverage, to a better health care system, and to a better future for the working people in the state of Indiana and beyond. I hope that our success with this program will help other states, as well, and serve as yet another reason why we should start over on health care reform in America. Why we should repeal Obamacare and replace

it with a plan that includes consumer-driven health care for low-income Americans that empowers them and their families to meet their needs and make their own way.

Thank you very much, I appreciate your time and attention today.