



National Business
Coalition on Health

**Statement of the
National Business Coalition on Health**

**On: Examining Innovative Approaches to Covering the Uninsured
through Employer Provided Health Benefits**

**To: The House Committee on Education and Labor Subcommittee on
Health, Employment, Labor and Pensions.**

By: Andrew Webber, President & Chief Executive Officer

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President and Chief Executive Officer
National Business Coalition on Health
Before the
Subcommittee on Health, Education, Labor and Pensions
of the
Committee on Education and Labor
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Executive Summary

Good morning Chairman Andrews and members of the Subcommittee. I am Andy Webber, President and CEO of the National Business Coalition on Health (NBCH). NBCH is a national, non-profit, membership organization of employer led health coalitions spread throughout the country. Over 10,000 employers, representing 34 million employees and their dependents, have come together through coalitions to advance value based purchasing – a strategy to measure, report and reward performance in health care. I have prepared a written statement that I ask be part of the official record. I would like to summarize my statement with the following 5 points:

1. As we enter a new national debate on health care reform leading up to the 2008 Presidential elections, I urge that our vision of health care reform stretch beyond the issue of access to care and the uninsured. Two other pressing issues must be recognized and honestly addressed in the coming national debate: health care quality and affordability. To quote the Institute of Medicine, “Between the health care we have and the care we could have lies not just a gap, but a chasm.” In addition, rising health care costs put American industry at a competitive disadvantage in a global economy while adding to the economic insecurity of the American public that must increasingly contribute its own hard earned dollars to an ever growing health

care industry. Simply stated, if we solved the problem of the uninsured tomorrow, the issues of health care quality and affordability would still leave us with a health care crisis.

2. Mr. Chairman, I'm an eternal optimist and there are signs of hope. Business leaders are probably in the best position to understand from experience in their own industries that product redesign, process reengineering, advanced technology and improved worker productivity can vastly improve product quality while reducing operating costs. Emerging data on quality and costs in health care dramatically demonstrate this point. For example, we know from the Medicare program, that states with the highest quality of care have the lowest per capita health care expenditures for the elderly population. Put in more striking terms, if the entire Medicare program practiced health care as it is provided in Minnesota, we could save one third of total Medicare expenditures while enjoying higher quality. And imagine, for a moment, how those savings could be redirected to address the uninsured problem. Adding to my reason for optimism is the Department of Health and Human Services Secretary Michael Leavitt's effort to integrate value-driven purchasing practices into both the public and private sector through the "Value Driven Health Care Initiative." This strategy of only paying for the true value of a product or service works in all aspects of American business markets, and so it also should be the foundation of health care.

3. Let me now turn to a subject of great interest to this Subcommittee – the employer based health care system. While critics from both ends of the political spectrum are quick to attack the employer based system, NBCH urges the Subcommittee to pause, step back and reflect on its many strengths and accomplishments. It provides medical benefit coverage to 71 percent of Americans working the private sector, according to the latest U.S. Department of Labor data. For over half a century, it has spread risk and pooled covered lives through group insurance, creating far greater leverage in the marketplace than individual consumers could ever generate on their own. It has

established the employer community as purchasers and change agents for health care and advocates for their workforce. The employer based system has been the innovator and leader of value-based purchasing, introducing innovations like pay-for-performance, value-based benefit design, and health plan and provider report cards. It has been a leader in health promotion, prevention and disease management. Through the work of business and health coalitions, it has established group purchasing arrangements among employers while giving employers a collective voice in health care reform initiatives at the community level. Finally, competition for talented labor in many industries ensures that health insurance and other worksite health benefits remain comprehensive.

4. The employer based system, NBCH recognizes, is not without its weaknesses. In particular, the struggle of small employers to access affordable health insurance, without market leverage or the ability to spread risks across a large population of covered lives, is severe and growing more difficult by the minute. The environment appears ripe for experimentation and identifying and testing a mix of strategies to address the problem, including: legislation and market strategies that would allow small businesses to collectively purchase health insurance to spread risk and leverage economies of scale; small employer tax incentives to provide health care benefits; reasonable exemptions from state coverage mandates for small employers; greater flexibility to allow families to use SCHIP dollars to enroll in employer sponsored benefit programs; and state reform initiatives, like Massachusetts, that combine a mix of approaches such as an individual mandate with an employer “pay or play” policy to find a comprehensive solution to the uninsured.
5. In closing, Mr. Chairman, let me reiterate that genuine health care reform must address the health care triad of access, quality, and affordability. We will also need the active engagement, participation and leadership of all

stakeholders of the health care system if we are to be successful in advancing this reform agenda. NBCH urges that a principle of shared responsibility guide our policies moving forward understanding that businesses, government, health plans, health professionals, provider organizations, and consumers must come together in dialogue, action and equal sacrifice for us to realize a new vision of improved health and health care for all Americans. Let the health care reform debate begin!

Once again, NBCH appreciates the opportunity to participate in this important hearing and I would be pleased to answer any questions regarding my comments and written statement.

Written Statement

Chairman Andrews, Ranking Member Kline, and Members of the Subcommittee, I am pleased and honored to have this opportunity to participate in this hearing today. Thank you for your kind invitation.

The National Business Coalition on Health (NBCH) is a national, non-profit, membership organization of 64 employer led health coalitions, representing over 10,000 employers and approximately 34 million employees and their dependents. These business coalitions are composed of mostly mid- and large-sized employers in both the private and public sectors in a particular city, county, or region.

NBCH and its members are dedicated to value-based purchasing of health care services through the collective action of public and private purchasers in communities and

markets of varying sizes and demographics. In developing, identifying and disseminating best practices in value-based purchasing strategies, NBCH is working to accelerate the nation's progress towards safe, efficient, high quality health care and the improved general health status of our nation's entire population.

NBCH's vision is health system reform, through value-based purchasing, community by community, and our mission is to provide superior membership service and to build the capacity of the NBCH membership to advance value-based purchasing of health care services.

There are nearly 50 million uninsured U.S. citizens and millions more that are inadequately insured, many of which are employed by small businesses. The solution to providing some or better coverage to all these people is not simple. It will require that all stakeholders, federal, state and local lawmakers, consumers, providers, and employers, think broadly and creatively to ensure that there are effective options available. As our nation's health care system continues increasing in cost and complexity, people link into the system in a variety of different ways depending on their employment, insurance eligibility, health status and financial situation.

There is not just one "transformational solution" to fix this situation, but we can put policies in place to help the system fix itself. The foundation for a long-term, sustainable health care system that provides accessible, affordable, quality health care to all Americans requires a strong commitment, including a major financial commitment from

all stakeholders. Though a long-term investment is needed, the long-term return is even greater. We all benefit from a strong economy and a healthy, vigorous workforce.

Employers are deploying many strategies to improve long-term health and health care. In fact, NBCH member business and health coalitions are working with a national network of 10,000 employers to test and implement successful strategies. Enlightened employers are instituting worksite health and productivity programs to keep employees well and value-based purchasing programs that demand high quality and continuously improving health care for employees and dependents. However, corporate America continuously is faced with intense competition in an increasingly global marketplace, and often forgets that it has a critical role to play in influencing both health and health care. Employers need to be reminded that their success (or failure) in promoting better health and higher quality health care has a direct bearing on bottom line profitability directly and American taxpayers, indirectly. While not immediately connected in the minds of most employers or policy-makers, the link between an employer's viability as a commercial or non-profit enterprise and good health and health care is irrefutable. First, for most employers, the health and productivity of their workforce is a key competitive asset and market differentiator. Second, corporate America provides health insurance to over 70 percent of American workers in the private sector, and thus it is imperative that the rapidly rising costs of health benefits be efficiently managed while still yielding important health status and productivity gains for workers. From this perspective, there is no escaping the fact that employers have a vested interest in improving employee health and the health care that employees and their dependents receive.

The seemingly uncontrollable escalation of health care costs has led many employers to focus on short term fixes, such as employee cost-shifting or even discontinuation of benefits all together. However, according to recent, studies such cost-containment activities by employers, though understandable given current economic conditions, typically compound problems for both the employer and employee over the long-term by costing more in direct and indirect medical costs, as well as in decreased productivity. Every day employers are confronted with difficult decisions about how to most effectively invest their scarce resources to reap better returns for the company. In that same vein, we need to work together to encourage employers to apply this same discipline to a vitally important long-term investment - employee health care benefits.

Value-based health benefit design, which refers to programs that encompass the total cost of providing health benefits to an employee over the course of their entire career with an employer, is a perfect example of employer innovation. This benefit model has demonstrated that employers who have lowered the total cost of managing notoriously expensive employee chronic illnesses, such as diabetes and asthma, are making it more affordable for employees to access the most effective prescription drugs to manage their chronic conditions. While companies pay more up front to subsidize the prescriptions, they can quickly recoup these costs through fewer emergency room visits and inpatient hospital stays, as well as enhanced productivity from their employees.

Through value-based health benefit design, employers can achieve a return on their investment through an improved bottom line, through enhanced worker productivity and through lower long-term employee health care costs and improved health status.

Employees benefit too with improved health and typically lower out of pocket costs.

With this model there are also positive ramifications globally in that we all benefit when employers, both public and private sector, provide affordable, comprehensive coverage thereby minimizing the strain on the current system, particularly safety net programs such as Medicaid and SCHIP, ultimately lowering the total health care bill to which we all pay, directly and indirectly.

Value-based health benefit design, particularly at the outpatient drug benefit level, has become widespread among private sector employers, but the cause needs the leadership and extensive implementation that only the federal government can provide. Rising health care costs, as well as the lack of transparent quality and cost expenditure data is an increasing challenge for both public and private payers. Our entire health care system needs to be organized to focus on how health benefit design can increase the probability that individual consumers receive evidence-based care leading to improved health outcomes. NBCH believes that a good starting point for value-based benefit design should be a set of core principles, recently developed by an experienced group of NBCH members and applicable to both public and private payers, to help guide responsible health benefit design that can serve as a guidepost for employer decisions moving forward. These NBCH principles are a part of a broader white paper “Promoting

Consumerism Through Responsible Health Care Benefit Design” which will be provided to the Subcommittee as an attachment with my written statement.

The lack of accessible health insurance is having a detrimental impact on generations of Americans as well as significant drain on our economy. Current estimates predict that by 2009, combined national health care spending will absorb nearly \$3 trillion dollars of the gross national product annually, while millions of families remain uninsured. We all gain from accessible, efficient, thoughtful, evidence-based health care, but we all lose from perpetuating an opaque system of inefficiency and inaccessibility.

In August of 2006, President Bush released an Executive Order to promote quality, transparency and efficiency in federal government-administered or sponsored health care programs. This Executive Order was heralded in the health care coalition world as a validation of our long-standing efforts to make the system’s infrastructure work better for consumers to contain costs and to improve accessibility and quality for everyone. The premise of the Executive Order describes four “cornerstones,” all of which are in harmony with NBCH’s mission and goals:

1. Identify and implement standards to support information systems that quickly and securely communicate and exchange data.
2. Measure and publicly report health care quality at doctor and hospital levels.
3. Provide consumers with episode of care-based cost information so that they can compare treatment, service, and provider options.

4. Align incentives for both consumers and providers so that high quality, competitively-priced health care will be rewarded at all levels of the system.

Understanding that the key to a sustainable solution is partnership and collaboration, in November 2006, Department of Health and Human Services Secretary Michael Leavitt took the President's Executive Order to a more "aggressive" level by asking private sector purchasers, as well as state and local governments to integrate the four cornerstones within their purchasing practices to move the nation's health care toward a value-based system via the "Value Driven Health Care Initiative." Value-based health care means that physicians, plans, hospitals and other types of providers in the health care delivery system are rewarded based on the real value they bring to consumers and purchasers, namely by using proven procedures and products that reduce costs and improve quality and patient safety. This strategy works in all aspects of American business markets, and so it also should be the foundation of health care.

NBCH has worked closely with the Secretary and his staff in the development and launch of the Initiative. We have also joined an alliance of leading national employer based associations, called the Partnership for Value Driven Health Care, to advance the Initiative among our collective employer members. The Partnership has recently produced a "Purchaser Guide" to help identify steps employers can take to advance the value driven health care agenda. The Purchaser Guide will be provided to the Subcommittee as an attachment to my testimony. Not only have we endorsed the initiative, NBCH is committed to the cornerstones and encourages all NBCH coalition

members and their employer members to do so as well. In fact, starting in 2007, NBCH included in its *eValue8* program- our national standardized web-based health plan evaluation tool capturing performance indicators- twelve key questions related to implementation of the Value-Driven Health Care Initiative and the four cornerstones. NBCH will be reporting initial *eValue8* performance results in May 2007. *eValue8* is used by NBCH coalitions and their purchaser members to evaluate approximately 200 national and regional Managed Care Organizations (MCOs) and Preferred Provider Organizations (PPOs) annually.

Though we believe health care reform through value-based purchasing to control costs, expand accessibility and improve quality is paramount, NBCH also believes government, business, provider and consumer partnerships that utilize a combination of the following policy incentives could be an effective way to help perpetuate value-based purchasing, as well as meet the diverse health care coverage needs of a diverse population:

- Improve accessibility to tools that help consumers obtain better information about providers' quality of care and prices. Transparency results in better choices, improved care and ultimately lower costs.
- Enhance employer tax incentives to provide employee health care benefits.
- Improve state and federal tax incentives for U.S. residents who purchase individual health insurance.
- Provide reasonable exemptions from state mandates, particularly for small employer coverage.

- Broaden accessibility, application and flexibility of all types of health care spending accounts (HSAs) and high-deductible health plans.
- Support small business-friendly legislation and reforms that will allow small businesses to collectively purchase health insurance to spread risk and leverage economies of scale.
- Extend eligibility and enrollment opportunities, to the extent possible by the states and federal government, for public insurance programs- State Children’s Health Insurance Program (SCHIP), Medicaid and Medicare.
- Support “locally grown” public-private partnerships (i.e. three-share model or multi-share program) which distribute the health care benefit premium cost equally between employer, employee and local/state or federal government resources, enabling small and mid-sized businesses to provide a comprehensive mainstream benefit plan.

Simultaneously, with all of these efforts to reform and fix the system, the employer based health care system must be preserved and allowed to thrive. This system has worked well for over half a century, namely through the ability to pool covered lives through group insurance while creating needed leverage in the marketplace. Individual purchasers could never generate this leverage on their own purchasing insurance in the marketplace. The employer system also has been the hotbed for innovation in employee benefit design, wellness, and prevention. As mentioned above, Secretary Leavitt is looking to large private employers to help advance value driven health care. But at the same time we need to recognize that the small employer market is fundamentally broken and needs the

government to help with creating both tax breaks and a mechanism (i.e. an insurance pooling mechanism/purchasing alliance that the government would establish) that permits both small employers and individuals (self-employed or working uninsured) to participate.

Leveling the federal tax playing field in terms of a standard deduction for everyone could be an effective strategy to help individuals that purchase coverage on their own. The special tax status for the employer based system has been unfair to individual purchasers, especially self-employed consumers. However, NBCH is skeptical of efforts to contain escalating costs and to bring equality to the system by making the purchase of health insurance over a certain amount of taxable income. Essentially, such a strategy could weaken the foundation of the employer based system, particularly since the current system already is shifting significant costs onto employees through copayments, deductibles and various geographic-based inequities. Nonetheless, the overall issue of a standardized tax deduction for the purchase of health care is worthy of open debate in Congress.

Again, NBCH believes that a combined approach, one with value-driven health care as a central strategy along with an array federal, state and local options is the right direction to help ensure affordable, quality health care for all Americans.

This concludes my written testimony. I look forward to discussing my comments in more detail during the question and answer portion of the testimony. I also again want to

thank the Subcommittee for inviting me here today and for its attention to finding viable solutions to improve the accessibility, affordability, and quality of our nation's health care system through the employer based system.

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