HR POLICY ASSOCIATION
The Association of Senior Human Resource Executives

July 28, 2009

Members of The United States Congress:

As you work to reform our nation's health care system, attached please find a list of recommendations that the members of HR Policy Association believe are essential to help control costs and improve the delivery of health care for both public and private sector purchasers.

We are pleased that Congress and the President have been reaching out to a diverse group of stakeholders who will be impacted by health reform, including consumers, physicians, nurses, health insurers, and hospitals. As discussions reach a critical point, we believe it is equally important to continue to take into account the perspective of employers that currently pay for comprehensive coverage for their employees and the 170 million Americans currently enrolled in and satisfied with their employer coverage.

HR Policy Association represents the senior human resource officers of more than 280 large employers in the United States who employ in the aggregate more than 10 million Americans and who spend more than $75 billion annually purchasing health care for their employees and dependents. They firmly believe that the nation must act to contain costs, improve quality and expand access to our health care system to all Americans in order to maintain our nation's well-being and global competitiveness. For these reasons, HR Policy Association fully supports comprehensive health care reform.

We are pleased that consensus has been built around reforming individual insurance regulations to require guarantee issue coverage without regard to preexisting conditions, requiring individuals to maintain health insurance, providing subsidies to low-income people to obtain coverage, improving primary care, and promoting prevention, wellness, and chronic care coordination.

However, the Association is concerned that the leading bills in Congress as written would dramatically increase the cost of health care in the U.S. by expanding access at a rate much faster and a scope much broader than they would address the failures that are driving our nation's health care cost and quality problems. The result of the imbalance between savings and new spending will be new burdens on an already challenged economy. As senior human resource executives, the Association's members are very concerned about the impact of policy changes on job creation and employment trends in the United States, and that some proposals could significantly erode employer-based coverage.

Our members believe that we can build on the efforts upon which there is bipartisan agreement and then tackle the other pressing issues. Most of the member companies of the Association are global companies doing business in nearly every country on earth. As such, they are familiar with a broad range of health care systems and have first hand knowledge of what works best in these systems. The Association stands ready to work with you to ensure that bipartisan health reform legislation is enacted that will lead to a sustainable, high quality health care system that provides coverage for all Americans.

Sincerely,

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Enclosure

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Recommendations for Essential Elements of Health Reform From an Association of Large Employers Who Cover More Than 10 Million Americans and Purchase More Than $75 Billion of Health Care Annually

As the discussions continue on how best to reform the health care system in the United States, HR Policy Association would like to make recommendations about the elements that are essential for health reform from the perspective of large employers who purchase billions of dollars of health care annually for employees, dependents, and retirees. We would also point out that most of the member companies of the HR Policy Association are global companies doing business in nearly every country on earth. As such, they are familiar with a broad range of health care systems, and they have first hand knowledge of what works best in these systems.

HR Policy Association represents the senior human resource officers of more than 280 large employers in the United States who employ in the aggregate more than 10 million Americans and who spend more than $75 billion annually purchasing health care for their employees and dependents. The large majority of our member companies are self-insured employers.

Our members agree with the widely held belief that the cost trend of providing quality health care to employees, dependents and retirees in the United States is not on a sustainable path. They firmly believe that the nation must act to contain costs, improve quality and expand access to our health care system to all Americans in order to maintain our nation's well-being and global competitiveness. For these reasons, HR Policy Association fully supports comprehensive health care reform. Our members also believe that the execution and implementation of health reform must be carefully planned with the appropriate building blocks set in place for each successive stage.

However, since the beginning of the debate in Congress this year over reforming the U.S. health care system, members of the HR Policy Association have become increasingly concerned with the direction of these efforts. From the perspective of senior human resource officers, the Association believes the bills as currently proposed by the Senate HELP Committee and House of Representatives would dramatically increase the cost of health care in the U.S. by expanding access at a rate much faster and a scope much broader than they would address the failures that are driving our nation's health care cost and quality problems. Many of our concerns have also been expressed by the Congressional Budget Office and others who have criticized these health care reform proposals for their failure to control costs and their potential to dramatically increase the federal deficit.

The result of the imbalance between savings and new spending will be new burdens on an already challenged economy. As senior human resource executives, the Association's members are very concerned about the impact of policy changes on job creation and employment trends in the United States. They are concerned that without the proper balance, the unintended consequences of some proposals could create a strong disincentive for expanding employment opportunities in the U.S. In addition, certain proposals would fundamentally undermine, and

could ultimately destroy, the employer-based system which currently provides coverage for more than 170 million Americans.

The following is a list of features that we believe should be included and proposals that should be avoided in any federal health care reform bill to help control costs and improve the delivery of health care for both public and private sector purchasers.

Improving Savings for Government Plans

1. *Medicare and Medicaid payment reform*

   Medicare and Medicaid payments should phase out the current fee-for-service system for most service providers and move towards a methodology that makes systems of providers accountable for the cost and quality of their care as soon as feasible. Once incentives have been put in place, providers should be financially accountable for providing coordinated care for both inpatient and outpatient services, and their reimbursement should be based on a standard, risk adjusted per capita fee to take care of each patient in their care or some alternative form of payment that creates accountability for the overall cost and quality of care. A portion of provider and health plan reimbursement should be determined by the quality of health care outcomes compared to standard performance measures.

2. *Revise Medicare and Medicaid benefits designs to adopt best practices*

   Medicare and Medicaid benefits should be redesigned to utilize best practices in benefits management and design including: aggressive and frequent competitive bidding to ensure the best cost and quality, sustainable cost sharing with indexing of all dollar values to cost trends, use of coinsurance, enhanced incentives to promote use of generic drugs, incentives to promote patient compliance to better manage chronic conditions, use primary care *versus* specialty care providers, financial incentives to use designated centers of excellence, and other design features and programs to promote improved personal health. In addition, health literacy programs should be implemented to assist and educate newly insured people as they navigate the health care system.

3. *Establish basic coverage options and use best practices for benefits management and design in new Health Care Exchanges*

   The benefit options under consideration for the new Health Care Exchange should include cost effective, basic, core coverage options that protect Americans against catastrophic financial loss while promoting the use of preventive services and the management of chronic conditions. Exchanges should utilize best practices in benefits management and design, including those outlined for Medicare and Medicaid in 2 above.

4. *Mandatory transparency for providers and health plans*

   All providers and health plans participating in Medicare and Medicaid should be required to publicly disclose their price and quality based on standard measures determined by an independent, multi-stakeholder body of subject experts.

5. *Establish an independent body to oversee Medicare provider quality and reimbursement*

   Congress should create an independent commission, modeled after the commission authorized by Congress to expedite the closing of redundant military bases, to oversee and determine Medicare reimbursement policy. This commission should be required to develop specific recommendations to reduce costs, with Congress voting for those recommendations on an "up or down" basis. The composition of this commission should include a diversity of stakeholders including, but not limited to medical experts and representatives from health care purchasers, and health provider and consumer organizations.

6. *Institute comparative effectiveness research and tie results to Medicare and Medicaid design*

   Congress should create an independent body to assess the relative effectiveness of various treatments and devices, and use those results in determining what Medicare and Medicaid will cover and how much consumers pay for access to low-value interventions. Also give private payers access to all comparative effectiveness study results to inform benefit design decisions.

7. *Base Medicare budgets on the most efficient states to reduce costs and drive out waste*

   Currently, Medicare payments are based on the traditional fee-for-service costs which vary dramatically by region, and a significant body of research has found that higher spending does not produce better results for patients. This means that providers in the least efficient markets get the most money. As Medicare payment reform is developed, regional provider reimbursement levels should be based on the most cost-effective states, requiring high cost regions to improve efficiency and lower their costs.

8. *Revise Medicare Advantage to require insurers to submit competitive bids*

   Phase in a requirement for private insurers for Medicare Advantage to submit competitive bids modeled after the private Medicare prescription drug coverage program.

9. *Expand Medicare and Medicaid eligibility in balance with scope and pace of cost savings*

   The financial outlook for Medicaid and Medicare continues to worsen. The nation cannot afford to expand enrollment in these programs using the same policies of the past. Expanded eligibility in these programs should be contingent on implementing reforms consistent with items 1 – 8 above and evaluating the results of those reforms. As an alternative, a trigger mechanism should be put in place to roll back expansions after a pre-determined period of time if cost containment targets are not realized.

Improved Savings for Private Payers

1. *Eliminate cost shifting from Medicare and Medicaid*

   By abandoning the failed discount fee-for-service arrangement currently used by Medicare and Medicaid, and replacing it with new payment methods to promote efficiency and improved quality, government payers will help drive efficiencies that lower costs for all, instead of imposing hidden taxes on private plans due to cost shifting.

2. *Preserve ERISA preemption*

   Congress should preserve full ERISA preemption which has been an effective policy allowing multistate employers to develop and administer cost effective benefit plans under uniform rules. This includes continuing to prohibit legal action against ERISA plans in state courts.

3. *Allow employers offering coverage to provide benefits without new federal benefit mandates*

   The federal government should not impose specific benefit mandates on employers that would undermine their ability to manage their health plans, pursue innovative approaches to control costs, improve quality, and offer benefits that meet the unique needs of their employee populations and companies. Congress should also avoid imposing expensive minimum benefit requirements on employers that force them to offer rich benefit plans with costs that neither employers nor beneficiaries can afford.

4. *Preserve incentives for healthier behaviors, prevention and wellness*

   Continue to permit benefit designs that drive healthy behavior and create strong personal and financial incentives for adopting healthy behaviors, such as allowing meaningful premium discounts for beneficiaries who enroll in health risk assessments and other programs to improve their health.

5. *Preserve the ability of employers to promote wise consumer decision making and to offer flexibility and innovation in benefit design and management*

   Provisions restricting the use of sustainable plan design (such as coinsurance, copayments, up dates to fixed dollar features) could drive cost escalation in existing or "grandfathered" employer sponsored healthcare plans. Employers should be allowed to continue to design affordable, consumer-directed healthcare plans for their employees that encourage them to be smart consumers about the relative cost and effectiveness of varying treatments and providers. This includes preserving tax-advantaged health financing vehicles such as FSAs, HSAs and HRAs.

6. *Avoid maintenance of effort provisions*

   Maintenance of effort provisions that inhibit a company's ability to adjust to changing financial and market conditions should be avoided. An example of a misguided proposal is the prohibition against post-retirement reductions in retiree health benefits that is currently under consideration in the House Tri-Committee bill. Mandates like these will have the unintended effect of undermining the employer-based system by creating incentives for employers to avoid expanding coverage to new populations.

7. *Make Medicare and Medicare information available to private payers*

   Release claims and other relevant data from the Medicare and Medicaid programs with provisions to protect patient privacy, not provider privacy. This will enhance private sector efforts to combine private and public information to create comprehensive profiles of provider and health plan performance that facilitate informed patient decision making.

8. *Ensure large employers can maintain sustainable risk pools*

Policies to expand coverage through new Health Insurance Exchanges should be done carefully in a way that does not lead to significant adverse selection for existing large employer plans, which would significantly drive up the cost of coverage for employer coverage. Permitting people with access to comprehensive employer-based insurance to opt out of that coverage and enter an Exchange should be avoided or severely restricted.

Other Changes to Promote Savings

1. *Drive use of health information technology to improve healthcare efficiency and quality*

To deliver administrative efficiencies and lower costs, Congress should require all providers to adopt and implement interoperable health information technology such as electronic medical records, electronic prescribing, and messaging within four years.

2. *Malpractice reform*

Reform tort laws to create a reasonable safe harbor that limits malpractice claims against providers who follow approved medical protocol in delivering care. This will help to reduce costs linked to the practice of "defensive medicine" and create incentives for providers to report errors, disclose quality data, and follow best practice guidelines in the delivery of care.

3. *Create pathway for approval of generic biologic drugs*

Establish a regulatory pathway to allow the Food and Drug Administration to approve generic forms of brand name biologic drugs.