



THE VIEW OF THE NATIONAL BUSINESS GROUP ON HEALTH

Principles For Health Care Reform



National Business Group on Health

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About the National Business Group on Health

The National Business Group on Health, formerly the Washington Business Group on Health, is the national voice of large employers dedicated to finding innovative and forward-thinking solutions to the nation's most important health care issues. The Business Group identifies and shares best practices in employee health, wellness and productivity. It promotes development of a quality health care delivery system and treatment based on scientific evidence of effectiveness. The almost 300 members of the Business Group, primarily Fortune 500 employers, provide health coverage for more than 6 million U.S. workers, retirees and their families.

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Principles for National Health Care Reform: The View of the National Business Group on Health

ISSUE:

Health care in the United States suffers from very high and ever rising costs and poor and uneven quality and safety. At the same time, millions of people cannot afford health coverage. The strains caused by all three of these problems are increasingly calling into question the sustainability of the status quo.

Compared to just seven to eight years ago, employers are paying 100% more for health care and people who purchase insurance on their own have seen even greater price increases. As a result, it is increasingly difficult for employers to provide affordable health benefits to employees, for employees to pay their cost sharing for coverage offered by their employers, and for people without employer-sponsored coverage to purchase insurance on their own.

Although the rate of increase in health care costs has slowed in recent years, increases are still well above the overall level of inflation and the lower percentage is on top of an ever rising base. Put another way, American workers have been giving most or all of their pay raises to the health system for the past eight years. Health care costs contribute significantly to stagnating wage growth and leave consumers with less money to pay for other goods and services. The average per employee cost for health care averages \$9,312 in 2008¹. Rapidly rising health care costs are also making it more difficult for American companies and American workers to compete in the increasingly global economy. With national health expenditures exceeding \$2.1 trillion², or 16% of the gross domestic product, estimated to reach just over 4 trillion dollars in 2016, (almost 20% of GDP), the problem is not just that the country spends too much on health care. The United States spends much more on health care per person than any other country in the world, including other countries with high standards of living, and the price tag for this care makes many American goods and services relatively more expensive than those produced in other countries.

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Meanwhile, more people are questioning, with good reason, the quality and safety of health care. A landmark Institute of Medicine (IOM) report estimated that preventable medical errors in hospitals may cause as many as 98,000 deaths annually, making medical errors the eighth leading cause of death. Many more patients are injured in hospitals and countless more preventable deaths and injuries occur in outpatient settings. A 2003 study by the RAND Institute found that patients received science-based recommended care only 55% of the time for fairly common medical conditions for which a broad consensus exists on care standards. A 2006 study, by researchers at RAND and UCLA, that intended to study differences in quality among sociodemographic groups, concluded that while small differences existed, the greater problem is that all groups suffer from poor quality care compared to what is recommended.³

At the same time, over 47 million Americans lack health insurance at any given time in a year.⁴ Lack of adequate coverage impedes access to necessary and preventive health care, jeopardizes health status, and often leads to more costly care in the future. Governments, private payers, and health care providers bear the costs of uncompensated care. As health care costs increase, the problem of the uninsured is likely to grow. These continuing problems are also taking their toll on health care providers, including physicians, particularly primary care physicians, and many potentially good future doctors who no longer find practicing medicine attractive.

WHAT IS NEEDED FOR SUCCESSFUL NATIONAL HEALTH REFORM:

The National Business Group on Health (the Business Group), representing almost 300 members, mostly large employers who provide coverage for 55 million Americans, believes that the degree to which we can expand access to health care services depends greatly on our ability to achieve greater affordability, value, quality and safety in

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health care. Health care costs cannot be contained with the continued provision of large amounts of inappropriate care and poor quality care. An effective, workable health reform policy must successfully address the interrelationships among costs, quality and access.

National Business Group on Health Principles for Reforming the Health Care System

The National Business Group on Health believes that the United States must do the following to create high quality, safe, efficient and affordable health care and health benefits accessible to all Americans:

Acknowledge The Shared Responsibility Of All, And Not Just One Or A Few, Of The Following Groups: Individuals, Health Care Providers, Health Insurers, Employers, And Governments (Federal, State and Local).

Too often, people assume that only employers and/or governments are responsible to provide coverage for all and that hospitals and doctors alone are responsible for quality and safety. No one group can or should bear responsibility. People who can afford health coverage have the responsibility to purchase it, or take employer coverage if available, and governments should require it. Those who are

ineligible for public programs because their incomes are too high and who do not have existing catastrophic medical conditions, but whose incomes are too low to afford coverage, should have access to meaningful tax credits to subsidize their purchase of health insurance. Meaningful cost-sharing, where appropriate to guard against excessive and inappropriate utilization, while not inhibiting access to needed medical care, should be a part of all health coverage including that for the uninsured. Health care providers have the

responsibility to provide only necessary, high quality care as efficiently as possible.

Individuals, insurers, employers and governments have the responsibility to assure that they direct their spending toward higher quality, higher value, safer health care providers and facilities. Employers can and should play a substantial role in helping their employees understand what they need to do, as well as supporting them with information, education, and counseling support. Governments should enact and implement policies that make health care more affordable and encourage people to have coverage. Governments should avoid policies that make coverage more expensive. Insurers should strive to maintain affordable coverage and strive to offer innovative coverage options that meet peoples' needs.

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Encourage Everyone To Take Personal Responsibility For Their Own Health.

Five chronic diseases—heart disease, cancer, stroke, chronic obstructive pulmonary disease (such as bronchitis, emphysema, and asthma), and diabetes—account for more than two-thirds of all deaths in the United States. In addition to claiming more than 1.7 million American lives annually, these diseases hinder daily living for approximately one of every 10 Americans and cost an estimated \$622 billion.⁵ Although they are among the most prevalent and deadly health problems facing our nation, some of them are preventable. Most of them are exacerbated and made much more expensive by personal behavior over which individuals have control. It is well established that physical activity, good nutrition, preventive screenings and healthy lifestyle choices help people live longer, more productively, and with fewer disabilities and chronic conditions. People must play a significant role in maintaining their own health by making healthy choices and avoiding unhealthy behavior.

Encourage Everyone To Be Personally Engaged In Their Own Health Care.

Everyone in the country needs to make wiser decisions when they need health care. Together with their physicians, people need to discuss and be fully informed about all treatment options, including the costs, benefits, harms and risks associated with all options, including the option of doing nothing or “watchful waiting”. Studies have shown that the more patients are fully engaged in decisions about their treatment, the more satisfied they are and the costs of their care decrease.

Coverage should encourage people to make cost-, quality-, and safety-conscious, informed decisions about care. In other words, coverage should encourage people to be good consumers of health care, just as they are with other goods and services. Coverage should require cost sharing for elective, discretionary treatment which guards against excessive and inappropriate utilization while not inhibiting access to preventive and needed health care.

Make Reliable Information To Make Meaningful Comparisons Of Recommended Treatments And Treatment Alternatives Readily Available And Transparent.

People currently have very little if any access to information about the costs, quality, or clinical effectiveness of the care they receive, let alone all the information they would need to make informed decisions about care. To do this, before they receive care, people need readily available, reliable information about recommended treatments and treatment alternatives, their relative quality and safety, their prices (both the total price and what

they as consumers will pay), and any other information that may impact their care decisions. They need price and quality transparency.

All health care providers and facilities should publicly disclose, in a user-friendly format, all relevant information about the prices, quality, safety, and efficiency of health care as well as any other information that may impact care decisions, such as financial arrangements and clinical guidelines for treatment.

In addition, people should have information that will help them make informed choices and meaningful comparisons when selecting a health plan, hospital, or doctor.

Require Comparative Effectiveness Studies For New Health Care Interventions.

Purchasers, consumers, and providers need information comparing the relative effectiveness of alternative treatment options, particularly new health care interventions. Unfortunately, today much of the needed information is not available. More and better information about how well a health care intervention works will promote more rational adoption of innovations and disuse of existing, ineffective options. Research by the Agency for Health Care Research and Quality (AHRQ) is beginning to fill the void, but much more federal support is needed.

Create A Workable, Secure Nationwide Electronic Health Information Network.

The United States urgently needs a nationwide electronic health information infrastructure that will streamline and modernize the nation's health care delivery system and improve quality and safety. Health information technology will reduce the current, massive inefficiencies and gaps in health care information. The primarily paper-based medical records system adds complexity, duplication, and bureaucracy. The lack of clinical decision support tools at the point of care prevents better-informed clinical decision-making and improved coordination of care.

Governments should foster efforts to ensure interoperability, establish a secure National Health Information Network, and encourage creative funding arrangements.

Implementing just these three things can significantly improve the accuracy, efficiency, and safety of care and address one-third of healthcare's overall costs: administrative paperwork, clinical errors, manual hand-offs, and re-work.



High impact solutions such as bar-code and scanner technology for medications, electronic prescribing and secure web-based access to patient information can be implemented right now. Implementing just these three things can significantly improve the accuracy, efficiency, and safety of care and address one-third of healthcare's overall costs: administrative paperwork, clinical errors, manual hand-offs, and re-work.

Ensure The Availability Of Portable Personal Health Records For All.

Every resident of the United States should be able to access their complete personal health records anytime, anywhere. Personal, portable health records will enable all people to have a home for their medical history. With their consent, patients' personal health records should also be available to their health care providers.

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Reform The Health Care Legal System.

Fear of malpractice litigation and adverse employment consequences encourage physicians and other health professionals to keep silent about avoidable medical errors. Excessive litigation and defensive medicine have contributed to skyrocketing health care costs, threatened access to care in several parts of the country, and have hindered efforts to improve quality. Congress should enact legislation to reform the health care legal system to protect access to affordable, quality health care. Such reform would place reasonable limits on damage awards, limit attorneys' fees, change the rules for expert witnesses, and curb excessive and frivolous litigation. Studies estimate that up to 7% of rising health care costs are due to litigation, not counting the cost of defensive medicine, which has been estimated at 20-30% of utilization.

Direct Resources To Prevention And Needed Primary Care.

Unfortunately, the health care system emphasizes treatment of illness and specialist care rather than disease prevention and primary care, despite the fact that money spent on evidence-based prevention and basic, primary care is money well spent. Studies have shown that expenditures for care for common illnesses such as community-acquired pneumonia were higher when provided by specialists than if provided by primary care practitioners, with no difference in outcomes.⁶ When compared with other developed

countries, the United States ranked lowest in its primary care functions and lowest in health care outcomes, yet highest in health care spending.⁷

In addition to healthier lives, a focus on prevention and primary health care can dramatically reduce the long-term cost burden and health care demands of chronic conditions.

Effective measures exist today to prevent or delay much of the chronic disease burden and curtail its devastating consequences. Screening for just a few key health indicators can help prevent serious chronic disease and identify areas for improvement in diet and behavior.

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Given that many conditions are preventable, every health care interaction should include prevention support. Payment systems, government policies, and market incentives should support and reward effective and efficient primary care and disease prevention.

Target Capital Spending To Underserved Areas And Truly Needed Facilities And Equipment.

In 2003, hospitals spent \$15 *billion* on construction alone, and hospitals plan to increase capital spending by 14% a year for the next 5 years.

Tax-exempt financing should generally be targeted only to underserved areas, or in other areas, where facilities and equipment are truly lacking. Otherwise, in other areas, tax-exempt financing for health care facilities and equipment should be restricted to needed modernization and conversion of existing services outside of underserved areas.

Promote Quality And Ensure Patient Safety.

Inappropriate and unnecessary health care, estimated by some to total as much as 30% of health care expenditures, contributes to the cost problem by making health insurance less affordable. The United States also spends billions of dollars each year on avoidable medical mistakes, \$17-\$29 billion in the inpatient setting alone, according to the Institute of Medicine.⁸

All health benefits and programs should cover only safe, medically-appropriate, and cost-effective health care services, promote evidence-based medicine, require the use of state-of-the-art, efficient care coordination and management techniques, align payment with quality improvement by adopting pay-for-performance and value-based purchasing policies, and require measurement and monitoring of medical errors and the adoption of medical error reduction initiatives and safety process improvements.



Purchasers, both public and private, and providers should support the establishment of national, uniform quality standards reached by consensus among all stakeholders. A single set of quality measures will reduce the administrative burden of data collection and make it easier for consumers and purchasers to compare quality among providers and facilities.

Health care providers and facilities should have active, ongoing medical error reduction initiatives and quality and safety improvement processes in place in all health care settings to reduce preventable mistakes and near misses.

All purchasers should identify, and be able to rank, hospitals that agree to participate in the patient safety initiatives of the following organizations: The Joint Commission for the Accreditation of Healthcare Organizations (JCAHO), the National Quality Forum (NQF), the Institute for Healthcare Improvement (IHI), and the Centers for Disease Control and Prevention (CDC), as well as other initiatives including those of the Leapfrog Group.

Advance Evidence-Based Medicine.

The health care system should consistently use evidence-based, best practice standards to drive improvement in quality, safety, and value and other steps that foster appropriate use. Health care providers should deliver only safe, appropriate care for patients and their conditions. Health benefits and insurance should only cover medically and therapeutically appropriate care for the prevention or active treatment of a person's injury or illness. Coverage should be oriented toward patient-specific, medically appropriate, cost-effective care based on the latest research and evidence.

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Expand Pay-For-Performance In Public And Private Financing Systems.

Too often, Americans pay for health care without regard to whether services are needed or how well they are performed. While payment is related to

quality or performance for most goods and services, in health care, people end up paying more for poor medical care and the additional health care needed to “correct” poor quality.

The federal government should widely adopt pay-for-performance in the Medicare program and employers should adopt this approach as well. Meaningful disclosure of performance results to the public, including payers, will reinforce the value of pay-for-performance by rewarding superior performers with additional demand for their services.

Recognize The Need For A Diversity Of Initiatives To Expand Coverage, Reflecting The Diverse Needs And Characteristics Of The Uninsured.

There is no single way to expand coverage. Given the differences in income levels, employment status, length of time uninsured, health status, and demographics of the uninsured, the United States needs a multi-faceted approach relying on targeted public programs, incentives for private sector coverage, and joint public-private initiatives like the State Child Health Insurance Program (SCHIP). People relying on private sector coverage should have access to a wide range of affordable coverage options so they can choose the options that best meet their needs.

Improve The Effectiveness And Efficiency Of Public Programs And A Strong Health Care Safety Net.

Too often, public programs such as Medicare and Medicaid are slow to adopt health care innovations that promote effective use of health care resources and improve outcomes. While these programs are and will remain a critical part of the solution, they need to adopt the quality-enhancing, efficiency-driving tools used by the private sector to better target scarce public resources. In addition, they need to do a better job in outreach to currently eligible, but not enrolled individuals and families and for those who remain “uninsurable” due to existing catastrophic health conditions.

A strong health care safety net should be available for those with little or no income to provide high quality health care.

Promote A Strong, Efficient Private Marketplace For Health Insurance, Particularly In The Individual And Small Group Markets.

Government initiatives to increase access to health insurance should promote, not impair, the effective functioning of the private market. While governments play a constructive role in financing health care for those with low incomes and those with existing catastrophic health care costs, the uninsured should be able to enjoy similar health insurance options that insured Americans enjoy wherever possible.



Insurance market regulators should eliminate policies that decrease affordability, hinder new insurance entrants, and reduce market competition and efficiency and enact policies that facilitate ease of entry, increase affordability, and promote market competition and efficiency in the individual and small group markets.

Policies should make insurance costs more affordable and more predictable for small employers.

Encourage New Coverage Options.

Insurance market regulators should encourage new coverage options including high-deductible plans, account-based plans, basic benefit plans, tiered-network plans, and plans for young adults to increase the availability of affordable health insurance choices to individuals.

Employers need to have the flexibility to create benefit plans that most appropriately take into account their economic position, scientific evidence of effectiveness, and the particular needs of their workforce.

Avoid Benefit Mandates.

The federal government and states should not impose requirements that would mandate that employers provide any particular levels or types of health care benefits. Mandated benefits allow legislative bodies to expand coverage without accountability for costs. Such mandates raise the costs of coverage to both employers and employees; often require coverage that is not evidence-based, does not reflect current best practices, or does not improve health outcomes. Mandating that employers offer coverage or requiring them to pay the government is very harmful to working families and our economy because it will only force employers to eliminate jobs, move more jobs offshore, keep unfilled positions open, stunt future job growth, and raise consumer prices. Employers need to have the flexibility to create benefit plans that most appropriately take into account their economic position, scientific evidence of effectiveness, and the particular needs of their workforce. Mandated benefits or coverage are at odds with global economic realities and could significantly add to employment costs at a time when US industry is facing intense worldwide competition.

Support Tax Policies That Encourage Health Coverage, Simplify Health Benefits Administration, And Support And Reinforce Healthy Behaviors.

Any proposal to expand coverage and reform health care financing, including changes to existing tax policy, should do no harm to the current system so as not to exacerbate the problem. The current favorable tax treatment of employer-sponsored health coverage encourages employers to offer and employees to take up coverage. People who purchase insurance on their own should enjoy the same tax advantages as people who obtain coverage through their employer.

A tax cap or the elimination of tax-favored benefits would increase unemployment and the uninsured, particularly among those with lower incomes. People who purchase insurance on their own should enjoy the same tax advantages as people who obtain coverage through their employer.

The tax code should be simplified to permit the merging of the various types of health accounts into one single health care spending account that can be funded by both employer and employee funds and used for current and future health care expenses, including retiree medical expenses.

Government policies should reward people for healthy behaviors that will reduce the likelihood of disease in the future. Current tax policy does not provide favorable tax treatment for out-of-pocket expenses to maintain health and prevent disease. It only provides favorable tax treatment for expenses related to an existing disease, injury, or condition.

Preserve And Strengthen ERISA.

The Employee Retirement Income Security Act (ERISA) promotes the offering of employer-sponsored coverage by lowering administrative costs and enabling uniformity of benefits for multi-state employers. The Federal framework of ERISA is essential to employers' ability to offer affordable coverage and to innovate in health benefits. National uniformity enables employers to offer and maintain uniform benefit plans across state lines and across local jurisdictions for their employees and retirees. It keeps benefit costs lower through greater economies of scale, purchasing leverage, and administrative efficiencies. Without ERISA preemption, employers would have to offer different benefits to employees based on where they work or live and to administer each plan separately, making it incredibly costly to administer benefit plans and creating issues of equity among employees. Employers would have the nearly impossible burden of navigating a patchwork of regulation, significantly raising compliance costs and risks of noncompliance and they would lose the ability to choose effective benefits to offer to employees. ERISA's protections should be maintained.



CONCLUSION:

The National Business Group on Health (the Business Group), believes that viable reform of the health care system, the degree to which we can expand access to health care services and achieve greater affordability, value, quality and safety in health care, depends heavily on advancing and achieving the principles mentioned above. Health care costs cannot be contained with the continued provision of large amounts of inappropriate care and poor quality care. An effective, workable health reform policy must successfully address the interrelationships among costs, quality, and access.

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