U.S. House of Representatives Committee on Education and the Workforce
Subcommittee on Health, Employment, Labor and Pensions
Hearing: "Innovations in Health Care: Exploring Free-Market Solutions for a Healthy Workforce"
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Oral Statement
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ORAL STATEMENT

Chairman Roe, Ranking Member Polis, and members of this subcommittee: Thank you for the opportunity to participate in today's hearing.

Over 150 million Americans receive their health coverage through their employer. Among workers, health insurance consistently rates as one of the most popular benefits, second only to paid leave.

In my testimony today I would like to make 2 primary points: (1) The foundation of ESI remains strong, but affordability is a challenge; and (2) To improve affordability, an all-stakeholder effort is needed to actively engage in local delivery system reforms.

Our system of employer-sponsored insurance remains strong, but affordability is a challenge

In spite of early fears, the Affordable Care Act (ACA) has not caused employers to drop coverage for their workers, nor has it resulted in reductions in employment. What is clear is that employers are benefiting from the significant slowdown in the growth of health care prices.

But even with these promising trends, affordability remains a huge challenge for too many families. Worker contributions to premiums grew an estimated 83 percent between 2005 and 2015 and nearly one quarter of people with ESI report problems paying medical bills.[1] For many, the problem is high and rising cost-sharing. People in high deductible plans are twice as likely to report problems paying medical expenses as those in low deductible plans. Thanks to the ACA, families with these high medical costs get some financial protection, but for many middle-class families these amounts pose a considerable burden.

[1] Hamel L, Norton M, Pollitz K et al, The Burden of Medical Debt: Results from the Kaiser Family Foundation/New York Times Medical Bills Survey, January 2016. Available at: https://kaiserfamilyfoundation.files.wordpress.com/2016/01/8806-the-burden-of-medical-debt-results-from-the-kaiser-family-foundation-new-york-times-medical-bills-survey.pdf.

The bottom line? Employers AND employees are struggling under high health care costs. Tackling affordability requires an all-stakeholder effort, and employers have a particularly important role to play.

Reducing health care costs while protecting consumers

Many employers, both on their own and in concert with other local purchasers, are engaged in innovative efforts to push back against high and rising health care prices, while not sacrificing the quality of care provided to their employees.

ACA-Sparked Initiatives to Shift from Volume to Value

The ACA has spurred activity in payment and delivery system reform across the public and private sectors, building momentum to improve health care value. For example, a multi-payer initiative in Arkansas is leveraging partnerships with Medicare, Medicaid, state employees and Walmart to expand primary care medical homes.[2] Many of the new models sparked by the ACA provide new opportunities for employers to partner with major government purchasers to pressure providers to reduce inefficiencies and improve quality.

Workplace wellness

For many employers, workplace wellness programs are intuitively appealing. And these programs, if well-designed, communicated and executed, can make a difference. Most of us spend most of our waking hours at work, and there is much that employers can do to ensure that our working environment supports health.

However, an estimated 30 percent of these programs tie an employee's achievement of a particular health outcome to health insurance premiums or cost-sharing. But there is very little evidence that doing so will result in either improved health, increased productivity, or lower health care costs.[3] What they

[2] Stremikis, K, All Aboard: Engaging Self-Insured Employers in Multi-Payer Reform, Milbank Memorial Fund and Pacific Business Group on Health, 2015. Available at: http://www.pbgh.org/storage/documents/Milbank_-_PBGH_Report_FINAL_2_17_15.pdf.

[3] RAND, Workplace Wellness Programs Study. Available at: https://www.dol.gov/ebsa/pdf/workplacewellnessstudyfinal.pdf; *see also* Patel MS, Asch DA, Troxel AB et al,

do instead, unfortunately, is raise the barriers for many individuals to access the support they need to achieve better health outcomes.

There is also disturbing evidence that some wellness programs place employees' privacy at risk. Wellness vendors can and do harvest vast amounts of personal health information. Some require employees to allow access to medical records and claims data in order to participate, and no federal law restricts what these companies can share with others for marketing purposes.[4] Yet many employees feel tremendous pressure to participate in these wellness programs, especially when up to 30 percent of the cost of a family premium is at stake.

Benefit Design and Network Changes

Just as with workplace wellness programs, some benefit and network changes sound promising on the surface, but may ultimately be more about cost-shifting than actually improving health outcomes. For example, network tiering has been touted as a way to encourage consumers to seek care from higher quality, lower-cost providers. However, there is limited evidence to suggest that providers in the lower-cost tiers are selected with quality taken into account. Their "preferred" status is often just a function of price.

Similarly, another trendy concept – reference pricing – needs to be carefully considered in terms of its impact on consumers. It works only if consumers have easy-to-understand and use information about who the lower-cost providers are, if they are reasonably accessible, and if there is sufficient time for the patient to make an informed decision.

Targeting the real culprit (and it's not consumers)

A fundamental challenge for employers and their workers today is the cost of health care. But many proposed reforms don't get at the primary cost drivers:

Premium-Based Financial Incentives Did Not Promote Workplace Weight Loss in a 2013-2015 Study, *Health Affairs*, January 2016, vol. 35 no. 1, 71-79.

[4] Pollitz K, Rae M, Workplace Wellness Programs Characteristics and Requirements, Kaiser Family Foundation, January 2016. Available at: http://kff.org/private-insurance/issue-brief/workplace-wellness-programs-characteristics-and-requirements/.

providers and suppliers, many of whom use local market clout to demand reimbursement disproportionate to the actual value they deliver. With increasing consolidation among provider systems and payers, this problem is only likely to get worse. Ultimately, it may fall to employers – in partnership with other major purchasers, including Medicare and Medicaid – to drive the reforms that will ultimately reduce costs and achieve better health outcomes.

Thank you Mr. Chairman and Members of the Committee for the opportunity to testify today. I look forward to the discussion.

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