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March 1, 2019

The Honorable Lamar Alexander
Chairman
U.S. Senate Committee on Health, Education, Labor & Pensions
428 Senate Dirksen Office Building
Washington, DC 20510

Dear Chairman Alexander:

The Public Sector HealthCare Roundtable (the Roundtable) appreciates the opportunity to provide a response to your recent letter seeking specific recommendations to address rising health care costs in the United States. Simply put, the rising cost of health care and especially the rising cost of prescription drugs, severely threatens the ability of public sector purchasers of all stripes to provide high-quality health benefits at a cost that is affordable to public sector employees, retirees, and their dependents. We urge you to take a number of critical steps outlined below to curb the rising cost of health care in the U.S. in order to ensure that public sector workers, retirees, and their families have access to high-quality, affordable health benefits.

The Roundtable is a non-profit, non-partisan coalition of public sector purchasers from across the U.S. including states, counties, and municipalities working together to bring a voice to the tens of millions of public sector employees, retirees, and their dependents they serve. Over 15% of the American workforce is employed by public sector entities, and collectively they spend over \$43 billion annually on health care benefits that serve as a critical component of state compensation programs.¹ As such, the members of the Roundtable have a long-term commitment to maintaining programs that enable their members to obtain high-quality health benefits at a cost that is affordable. The rapidly increasing cost of health care in the U.S., and especially that of prescription drugs, impedes our ability to accomplish this goal.

Therefore, we offer the following recommendations to address rising health care costs in the U.S.:

- 1) **Immediately Address the Skyrocketing Price of Prescription Drugs.** The rising cost of prescription drugs has created an extraordinary cost burden on our plan sponsors and the public sector employees, retirees, and the family members they serve. We urge Congress to immediately pass legislation to increase competition in the pharmaceutical marketplace and give relief to purchasers of all types.
- 2) **Protect Coverage Expansions and Strengthen Insurance Markets.** The *Affordable Care Act* expanded coverage to tens of millions of Americans, reducing cost-shifting from the uninsured to public sector purchasers. Congress should expand coverage further and protect commercial insurance markets to ensure more stable, affordable benefits for public sector purchasers by avoiding risk selection and cherry-picking.

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¹ "State Health Care Spending: Key Findings." Pew Charitable Trusts & MacArthur Foundation, 2016. Accessed 4 February 2019. <https://www.pewtrusts.org/~media/assets/2016/05/state-health-care-spending.pdf>.

- 3) **Expand Access to Evidence-based Comparative Effectiveness Research.** In order to provide important clinical information for health care purchasers to take steps to reduce spending on unnecessary and potentially harmful health care services, Congress must reauthorize and expand the Patient-Centered Outcomes Research Institute.
- 4) **Repeal Health Care Taxes that Increase Costs for Consumers.** In order to ensure the affordability of health benefits for public sector workers and their families, repeal the Health Insurance Tax and so-called “Cadillac Tax” on health benefits.

Recommendation 1: Immediately Address the Skyrocketing Price of Prescription Drugs.

According to a recent survey of Public Sector HealthCare Roundtable members by the advisory firm Willis Towers Watson, spending on traditional drugs averaged 2.4% while specialty drugs averaged 17.1% and the three-year average exceeded 24%. Notably, the survey estimates that when projecting cost increases through 2020 the specialty drug spend will exceed what employers will pay for inpatient hospitalizations.² The members of the Roundtable all employ utilization management techniques such as prior authorization, and many use a carve-out for some or all specialty categories or have a separate cost-sharing tier for these high-cost medications. Our recent survey showed that over 90% of plan members are concerned about increased financial hardship on members due to higher cost sharing and over 80% are worried about the uncertainty of their organization’s ability to continue providing a high-quality health and benefits plan to their members as a result.³ While our member plans work diligently to address the rising cost of prescription drugs, **the exorbitant original list prices set by the brand pharmaceutical manufacturer make it extremely difficult to offer high-quality benefits at a reasonable cost to our members and American taxpayers alike.**

As such, the Roundtable recommends the following approaches to address the rising costs of prescription drugs, and particularly specialty drugs in the U.S.:

- Establish greater competition in the pharmaceutical – and especially the biopharmaceutical – marketplace by passing legislation to lower the market exclusivity period for brand biologics, such as the *Improving Access to Affordable Prescription Drugs Act* (S.771).
- Increase transparency in prescription drug pricing to encourage pharmaceutical manufacturers to publicly disclose production costs, including direct and indirect research and development investments, discounts to various payers for specific high-cost drugs, and evaluate the impact of direct-to-consumer advertising. Direct-to-consumer advertising should include the original list price of the drug.
- We strongly recommend the FDA curb brand manufacturers misuse of REMS strategies to block generic manufacturers from obtaining samples of brand drugs needed for bioequivalence testing and FDA approval by passing the *Creating and Restoring Equal Access to Equivalent Samples (CREATES) Act* (S.340).

² “Assessing the Unsustainable Cost of Specialty Medications: A Survey of Public Sector Health Plans.” Willis Towers Watson on behalf of the Public Sector HealthCare Roundtable. 12 June 2018. https://www.healthcareroundtable.org/wp-content/uploads/2018/06/2018_roundtable_specialty_survey_position_paper_final.pdf.

³ Ibid.

The Honorable Lamar Alexander
March 1, 2019
Page three

Recommendation 2: Protect Coverage Expansions and Strengthen Insurance Markets. The Roundtable was supportive of the passage of *Affordable Care Act* (ACA) and is pleased that the law has ensured that tens of millions of previously uninsured individuals now have coverage. Prior to the ACA, the uninsured population and the uncompensated care they received created a cost-shifting effect to public sector purchasers, and led to a less stable, rational health care system in the U.S. The Roundtable supports further expansion of quality, affordable coverage for all Americans and is concerned about steps taken by the Trump Administration to undermine commercial insurance markets such as the allowance of short-term health plans and so-called Association Health Plans.

In order to stabilize insurance markets and ensure greater sustainability for health care purchasers, we recommend Congress pass a version of your and Ranking Member Murray's *Bipartisan Health Care Stabilization Act of 2017*. We also strongly recommend Congress consider acting to roll back administrative policymaking that undermines the ability for consumers in the individual market to access quality, affordable coverage by passing measures such as *Marketing and Outreach Restoration to Empower Health Education Act of 2019*, HR 987, which would restore ACA market and outreach funding back to \$100 million, HR1010, which would revoke the administration's expansion of short-term health plans, and the *Educating Consumers on the Risks of Short-Term Plans Act of 2019*, HR 1143, which would require short-term plans to fully disclose their risks to prospective consumers.

Recommendation 3: Promote Value in Health Care Purchasing and Expand Access to Evidence-based Comparative Effectiveness Research. For a generation the U.S. health care system has relied on a fee-for-service reimbursement system that rewards the volume of services provided over the value of care, with virtually no link to quality or outcomes. This has been a primary driver of health care cost growth for purchasers of all types. For years, members of the Roundtable have worked to address this issue and have championed a variety of value-based payment arrangements for the public sector workers and retirees they serve.

For example, in 2011 the California Public Employees Retirement System (CalPERS) began a "reference pricing" initiative that established a standard price for hip and knee replacements that allows members to not pay any charges beyond that price. The number of enrollees who chose a high-value hospital for their knee or hip replacement surgeries increased from 50% between 2008 and 2010 to 64% in the first nine months of 2012, compared with no change among Anthem policyholders not enrolled in CalPERS. The average price for the procedure fell by more than 25% as a result with no negative impact on quality. CalPERS has since expanded the program to include other procedures, such as colonoscopies and outpatient elective cataract surgeries.⁴

Now is the time for federal policy to further develop and accelerate payment models that decouple provider reimbursement from the fee-for-service chassis. The passage of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) was an important step forward to begin to align Medicare payment with quality and outcomes, but more needs to

⁴ "CalPERS Reference Pricing Initiative Saves \$5.5 Million Over Two Years." 28 May 2014. <https://californiahealthline.org/morning-breakout/calpers-reference-pricing-initiatives-saves-5m-over-two-years/>

The Honorable Lamar Alexander
March 1, 2019
Page four

be done. The Center for Medicare & Medicaid Innovation (CMMI) is testing a variety of payment models to drive value. Any and all models that achieve higher quality care and show cost savings to the program should be scaled and made permanent, such promising home-based primary care models like Independence at Home.⁵ Furthermore, the Medicare Shared Savings Program should ensure that entities can easily participate in two-sided risk arrangements, and should have relief from certain site of service and telehealth restrictions.

Successful value-based payment initiatives rely on robust quality measurement and evidence-based information on the most effective treatments, and ideally their cost. The Patient Centered Outcomes Research Institute (PCORI) was established as part of the ACA in 2010, and since has provided tens of millions of dollars in grant funding to establish and disseminate comparative effective research. The Roundtable strongly urges that Congress reauthorize PCORI with increased funding this year and allow for comparative cost analyses of treatments and medications.

Recommendation 4: Repeal Health Care Taxes that Increase Costs for Consumers. The Roundtable is extremely concerned about excessive, arbitrary taxes that have been levied on health plans via the “Health Insurance Tax” and the so-called “Cadillac Tax.” Created by the ACA and used to offset the cost of the legislation, the health insurance tax and the Cadillac tax represent a serious threat to public sector plans’ ability to provide high-quality, affordable coverage to their members and dependents. In 2020 alone, the Health Insurance Tax will add an estimated \$16 billion to the cost of coverage for individuals, small businesses, families and Medicare Advantage seniors. From 2020-2029, the tax is estimated to raise over \$260 billion and does not sunset. The Roundtable strongly recommends Congress pass the *Jobs and Premium Protection Act* (HR 246) the *Healthcare Tax Relief Act* (S.1859).

The “Cadillac Tax” is a 40% tax on the value of employer-sponsored health coverage that exceeds certain benefit thresholds – estimated to be \$11,100 for self-only coverage and \$29,750 for family coverage in 2022. The actuarial firm Mercer estimates that more than half of employers will be subject to the tax by 2027, including public sector plans. Furthermore, the tax unfairly targets employers that have a higher number of workers with chronic or serious diseases, which would disproportionately impact public sector entities. The Roundtable strongly urges Congress to pass the bipartisan *Middle Class Health Benefits Tax Repeal Act of 2019* (H.R. 478) which would fully repeal the Cadillac tax.

Mr. Chairman, the Roundtable is grateful for the opportunity to provide recommendations to the Committee for how to address the rising cost of health care in the U.S. No doubt, the rising cost of prescription drugs, the growing instability of commercial insurance markets, the lack of rapid growth of value-based payment arrangements in public and private programs, and the severe effects of arbitrary taxes to be levied on public sector works and their families presents a clear threat not only to the members we serve, but the American public overall. We strongly recommend the Committee and the Congress move quickly to address these important issues by passing the legislation put forth above.

⁵ “Independence at Home Demonstration.” Centers for Medicare and Medicaid Services.
<https://innovation.cms.gov/initiatives/independence-at-home/>

The Honorable Lamar Alexander
March 1, 2019
Page five

We thank you again for the opportunity to make recommendations to the Committee and we look forward to supporting your efforts in addressing the rising cost of health care in America.

Sincerely,

A handwritten signature in cursive script, appearing to read "Thomas R. Lussier", with a long horizontal flourish extending to the right.

THOMAS R. LUSSIER
Administrator