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Director
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June 20, 2023

The Honorable Bob Good
Chairman
Subcommittee on Health, Employment, Labor and Pensions
Committee on Education and the Workforce
U.S. House of Representatives
Washington, DC 20515

The Honorable Mark DeSaulnier
Ranking Member
Subcommittee on Health, Employment Labor and Pensions
Committee on Education and the Workforce
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Good and Ranking Member DeSaulnier

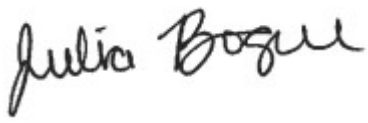
The National Association of Manufacturers is the largest manufacturing association in the United States, representing small and large manufacturers in every industrial sector and in all 50 states. Manufacturing employs nearly 13 million Americans and contributes $2.90 trillion to the U.S. economy annually. Manufacturers pay workers over 18% more than average for all businesses and 99% of manufacturers offer health benefits to employees. Manufacturers go to great lengths to provide robust health insurance offerings to employees and welcome the subcommittee's hearing on "Competition and Transparency: The Pathway Forward for a Stronger Health Care Market."

Large and small manufacturers continue to cite rising health care expenses as one of their top business concerns. In a recent survey of NAM members, 95% described the costs associated with offering health care to employees as expensive. Manufactures support applying free enterprise principles to all aspects of health care policy reform such as protecting IP, encouraging transparency, opposing price control-oriented solutions and avoiding costly Medicare for All.

Transparency is particularly vital when analyzing pharmacy benefit managers, companies first established to manage the cost of prescription drugs that are contributing to soaring health care costs and driving up the price of medications. Manufacturers support reforming the PBM model to ensure that savings are passed through to employer health care sponsors and consumers.

Manufacturers support policies that will promote innovation and value by encouraging reforms that are in step with the next generation of health care delivery. Below you will find our recommendations on a variety of health care reforms and related issues that are consistent with these principles and would support a stronger economy and healthier country. These principles were previously submitted to the subcommittee as well as the Healthy Future Task Force in December 2022. The NAM stands ready to work with you as this effort continues.

Sincerely,



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Health Care Reforms to Improve Outcomes

Improving Transparency in Health Care

Manufacturers appreciate ongoing efforts to improve transparency in health care. Our industry has experienced the impacts of cost variation related to a range of health care services. These impacts can make health coverage more frustrating and expensive, for both consumers and employers who sponsor coverage. Price variations range from state to state, county to county and even within a city's limits. Price and service comparisons under the current paradigm are often impossible or overly complicated. Making an informed decision is challenging because health care information important to and associated with addressing a health event is not always in one place and not easily understood by the layman. Manufacturers support transparency, better value in health services that are paid for by employers and delivered by health care partners, improved and more efficient payment arrangements and—most importantly—better health outcomes.

Our members provide coverage for millions of Americans, and the ability to access data and appropriately harness relevant information will improve health care decision-making at all levels. Claims data provide valuable information to employers and the federal agencies responsible for managing multiple health coverage programs for various populations. Regulatory barriers to leveraging and exchanging standardized data hamper the health care system's ability to drive continuous improvements and innovations in medical research and care delivery. Such constraints—many self-imposed by federal regulators and Congress—are deterrents to innovation that can help solve some of the most pressing medical and fiscal challenges. However, collecting data for the sake of data is not purposeful, and manufacturers urge approaches that serve an important consumer-driven purpose (i.e., reduced costs, improved quality, etc.) that also balance the burdens of collecting and reporting data.

Of note, several states have explored and pursued health care pricing transparency initiatives and state-based all-claims databases that include hospital and provider pricing of services. Approaches and tools to address transparency have varied, and results have been mixed. Ultimately, a range of experts and studies have found that how information is conveyed to consumers will influence how consumers behave when presented with the opportunity to price shop and assess the quality of health care services. Manufacturers believe that the private sector is well-positioned to advance consumer-friendly platforms. The private sector is also well-suited to analyze and assess public and private data to make information actionable. However, the challenge of collecting raw data, accessing claims made by both public and private payers and discerning what data are most helpful to determine and ultimately improve the quality of care is worthy of a full public debate so long as a clear goal is articulated, and market-based principles are maintained.

Manufacturers also support the advancement of pharmacy benefit manager reform and a further examination of pharmaceutical pass-through savings. Public-private structures help achieve both success and savings, but misaligned incentives must be changed so that plan sponsors and consumers can fully realize the benefits of savings. As health care costs continue to escalate, bending the cost curve without sacrificing access and quality care remains a priority for manufacturers.

Health Information Technology

Manufacturers believe that an interoperable health system should not be an elusive goal, and that it holds great promise to transform the delivery, quality and cost of health care. The technology is available, and businesses have the capability to deliver and realize the potential of a fully connected health care system. However, the regulatory framework that exists today remains fragmented and was designed before the digitization of our economy. Privacy laws and regulations need updating so that the deployment and adoption of new innovations to improve connectivity in our health care system can flourish. For example, the current approach does not allow for the rapid sharing of information or make data more accessible to aid in broader public health goals and improved health outcomes. To unleash a new wave of consumer-driven health care innovation and enhance the patient–provider experience, we need a revised privacy framework that recognizes the strengths of the Health Insurance Portability and Accountability Act and includes opportunities for better information sharing for health care coordination. This can be accomplished without sacrificing patient privacy and by maintaining critical protections of personal data that are currently safeguarded under HIPAA. Ultimately, a patient receiving care should be able to walk into any provider facility and have medical records seamlessly uploaded so that providers are offering the best and most informed care for the patient.

Reducing Patient Out-of-Pocket Spending

Health savings accounts allow employees to have more control of their health care spending, and employers are increasingly offering consumer-driven high deductible health plans paired with HSAs. Increasing HSA limits and modernizing the rules governing HSAs would encourage savings for future health care expenses and provide the flexibility patients need to have greater control over their own health care decisions. As the demand for HSAs grows, greater flexibility is needed to ensure that consumers can take full advantage of changes and innovations in the delivery of health care. Since HSAs were established close to 20 years ago, there have been significant advancements in health benefits outside of traditional medical insurance policies. These include the use of care coordination and medical homes, telemedicine, direct primary care, onsite and near site primary medical care sponsored by employers, retail clinics and incentives such as fitness memberships to promote wellness. Additionally, management of chronic disease is an increasing priority, and further efforts should be made to provide greater flexibility for chronic disease reimbursement with HSAs. While HSAs are one tool to prepare for out of pocket health costs, and manufacturers urge Congress to advance legislation that modernizes and aligns the utilization of HSA accounts with today's health care landscape while providing employers added flexibility to design best-in-class benefits for their employees, Congress should also consider other tools which would allow Americans to put aside income in a dedicated account for health expenses regardless of the health coverage they receive and that functions similar to a Roth savings account.

Ensuring the Full Potential of Value-Based Arrangements

Manufacturers are encouraged by the potential for health care innovation through outcomes-based health care arrangements. These arrangements would align incentives across a range of parties—health care providers, employers, patients, insurers and pharmaceutical and life sciences manufacturers—so that delivery of care, payment arrangements and clinical outcomes are achieved in an efficient manner. Collaboration and improved benefit design hold the promise to change how health care is paid for and delivered. Improving data and modernizing relevant outdated regulations that prevent these value-based arrangements from realizing their full potential would help address rising premiums and pharmacy costs effectively.

This shift to reward value in health care delivery through value-based arrangements is truly transformational. Manufacturers are enthusiastic to realize the potential efficiencies that connect payment for a medicine to patient outcomes. To that end, manufacturers see promise in efforts to advance VBAs for prescription drugs in federally sponsored programs as a market-based solution to price setting and value determination. Manufacturers are encouraged by the introduction of H.R. 2666, the Medicaid VBPs for Patients (MVP) Act by Representatives Guthrie and Eshoo and see the legislation as a step forward. There is concern however, around the vagueness surrounding the Medicaid Drug Rebate Status and reference to the Federal Register in the legislation.

Maintaining Association Health Plans

The Department of Labor had previously made reforming, advancing and strengthening association health plans a leading priority. Manufacturers are grateful for this past leadership, because small businesses in particular experience challenges in offering affordable health coverage to employees. Manufacturers have urged this administration to maintain a similar posture around association health plans to provide ongoing regulatory certainty. However, manufacturers also believe legislation is needed to better ensure the longevity and sustainability of AHPs as an affordable health insurance coverage option. Small employers value this accessibility to a broad range of health insurance products (both fully insured and self-insured) for their employees as well as the opportunity to achieve greater efficiencies in managing health benefits over the long term. This affordable insurance option should enjoy regulatory consistency and be affirmed by Congress.

Continuing to Advance the Potential of Wellness Programs

In order to support voluntary wellness programs, the various regulations guiding these programs should be consistent and predictable. The Equal Employment Opportunity Commission withdrew new proposed rules issued in early 2021 that would have set important parameters in place to guide these incentive programs. Today, conflicts remain between the Affordable Care Act and nondiscrimination statutes. As employers work through these challenges and continue to seek clarity, Congress should not add to existing confusion or regulatory burdens. Manufacturers believe that participation and engagement in workplace wellness programs will improve employee health, reduce absenteeism and promote productivity with the potential to lower health care premiums. This is an important area of employer-sponsored health care that will need continued review and attention in light of litigation and changes in leadership at the EEOC.

Addressing Competition

While manufacturers strongly support increased access to affordable prescription drugs, consumer safety should always be our paramount public policy concern. Importation and reimportation could expose consumers to counterfeit and adulterated therapies. Drug importation creates a needless risk to public health. Maintaining important strides in consumer protection and safeguarding the reputation of quality drugs approved by the Food and Drug Administration for marketing in the United States are clear priorities that we urge Congress to continue recognizing.

Manufacturers are concerned with the changes to the Medicare Part D program as a result of the Inflation Reduction Act (IRA). The open marketplace has been a hallmark of the Medicare Part D prescription drug program, and the public interest is well-served without the

interference of the federal government determining drug prices. The introduction of price-control oriented policies will ultimately challenge the development of new drugs and therapies and discourage innovation.

Due to the government's new policies that restrict the market-based principles of the original Medicare prescription drug program, the opportunity cost to invest in the research and development of new cures will have to be reevaluated and reassessed with a new price control purchasing model. Specific provisions within the IRA will have deleterious impacts to innovation and the pharmaceutical supply chain, including but not limited to hindering the utilization of follow-on indications for orphan drugs, meaning secondary applications of treatments that benefit a wider range of patients will be more limited, and lessening the intellectual property protections of small molecule medicines over large molecule drugs. A strong and productive pharmaceutical manufacturing sector is critical in the U.S. to continue to lead and develop lifesaving therapies and steps must be taken to address these deleterious impacts of the IRA.

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