

Statement for the Record

United States House of Representatives Committee on Education and
Workforce
Subcommittee on Health, Employment, Labor and Pensions

Hearing on

**Lowering Costs and Increasing Access to Health Care with Employer-
Driven Innovation**

Prepared by the Purchaser Business Group on Health (PBGH)

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Chairs Foxx and Good, Ranking Members Scott and DeSaulnier and members of the Subcommittee on Health, Employment, Labor and Pensions, thank you for holding this important and timely hearing on innovative payment models in health care in the commercial sector.

The Purchaser Business Group on Health (PBGH) is a nonprofit coalition representing over 40 of the nation's largest private employers and public entities across the U.S. that collectively spend more than \$350 billion annually purchasing health care services for more than 21 million Americans and their families. Our members work with us to identify needed system reforms to achieve and pay for optimal quality and outcomes and affordable care.

On behalf of our membership, we thank the Committee Members and others in Congress who are raising the alarm bells of unaffordable health care costs across this country, and especially want to commend the Education and Workforce Committee and its key role and recent and past work in addressing health industry behaviors. Through bipartisan hearings and well-considered legislation, the committee has taken much needed steps to remedy some of the most obvious health system failures and have even taken on health industry consolidation and anticompetitive practices that hurt America's employers, their workers, and their families. Thank you for your leadership. PBGH and our members stand ready to support you as you embark on this critical work.

PBGH has a 30-plus year track record of working to make health and health care affordable, improving the health and well-being of workers and their families and eliminating health disparities and inequities. Our membership is comprised of the country's most innovative and sophisticated private and public purchasers. Now more than ever our members are laser focused, actively engaged, and committed to achieving affordability as a top priority across all initiatives. Without affordability we cannot achieve good outcomes, sustain access or improve equity.

However, despite our strong track record of demonstrating how to achieve better care for lower cost, costs continue to rise, and we are moving further and further away from our goal of affordability. Our members rightly ask, for all that we are spending on health care, is employee health improving? The unavoidable answer is no. For the billions of dollars our members spend annually, quality and access are only worsening. This is particularly acute in primary care, mental health, and maternity care- where it is arguably needed most. Trends are disturbing and unsustainable, as double-digit increases are here for even the largest purchasers. Accelerated premium rate increases are expected to continue as health care costs keep rising. Health care is less affordable, and harder and harder to access and navigate. This trend is unsustainable for the average American household and not good for our society.

Employers, workers, consumers and clinicians are all struggling in a health care system where payment and delivery structures perversely incentivize high costs, low quality care. Employers want to pay for better care and health outcomes by moving away from traditional fee-for-service (FFS) payment models, but the entrenched health care infrastructure, legacy claims payment systems and opaque business practices have prevented meaningful payment reform for value-based care. Lack of price transparency and unwillingness to share data have compounded the challenges. Self-insured employers who purchase health care on behalf of hundreds of millions of Americans have relied on intermediaries to pay fair prices for high quality services who have not served their interests. This is impacting all Americans, including the majority of the U.S. workforce and families covered by commercial insurance.¹

It is not surprising that large employers whose core businesses range from technology to retail to manufacturing, have largely outsourced health care purchasing. They have turned to health plans, PBMs, brokers and other intermediaries to identify the best care at the lowest cost on behalf of their employees. This is complex work requiring technical expertise and resources to do well. Most employers would prefer to outsource health care procurement to vendor partners. Unfortunately, it has become increasingly clear that the intermediaries on whom jumbo purchasers have relied, have not prioritized employer and employee needs and have not effectively negotiated reasonable prices for high quality care on their behalf. With enhanced fiduciary obligations under ERISA to demonstrate and attest that high quality care is being procured for a fair cost, employers can no longer defer to unaccountable vendors.

Frankly, there is a fundamental misalignment between the business interests of much of our health care industry and the interests of our nation's citizens, employers and their workers and families. Because self-insured employers actually pay for care, they – like their workers and families- are truly incented to achieve affordability. All other intermediaries benefit from high health care costs and cannot be expected to fundamentally reduce them. Jumbo self-insured employers have led new approaches to effective health care purchasing that -- if scaled and supported -- could fundamentally transform U.S. health care to become more affordable, more equitable and of higher quality. And we are on the cusp of that transformation -- in large part driven by many of the federal policies enacted by Congress -- and employers believe their innovations and new ideas can lead the way and be a catalyst for achieving lower costs, better value and health equity in a way that finally meets the needs of American workers.

PBGH members are a self-selected group of the nation's top leaders in innovative health care purchasing. Through direct contracting, high quality standards and

¹ <https://www.census.gov/library/publications/2023/demo/p60-281.html>

innovative partnerships they have demonstrated that purchasers can change the trajectory of U.S. health care. Their work has proven that better care costs less. But it is not for the faint of heart. Taking on an industry as entrenched and powerful as U.S. health care requires expertise, fortitude and a commitment to doing the right thing on behalf of the American workforce. The following are some lessons and recommendations that our members have found valuable on their journey.

TRANSPARENCY IN PRICING IS NECESSARY: TO CHANGE THE WAY PROVIDERS ARE PAID YOU HAVE TO KNOW WHAT THEY ARE PAID

No other industry forbids customers from knowing its prices. Only in health care can you be held legally accountable -- including being taken to court and forced into bankruptcy -- for paying for services at prices you never agreed to. Pricing and quality information for health care services in the commercial market has historically been shrouded in secrecy and complexity, making it virtually impossible for employers and their employees to make informed decisions about health care. But federal policy is beginning to remedy this. Congress and the Administration enacted provision in the *Consolidated Appropriations Act* ("CAA") and took other actions to facilitate the transparency private and public purchasers need to understand the price and quality of the health care services they provide to their workers and their families. These health transparency laws and regulations had the strong support of PBGH and its members. We testified before Congress and fought hard for the greater transparency provided by the CAA.

As fiduciaries of their employees' health benefits, employers are required by the Department of Labor to demonstrate that they are paying fair and reasonable prices for high quality care. However, employers have historically never had access to this data. Now they absolutely have the legal right to this information and are prepared to use it to ensure quality and affordability.

Unfortunately, many providers and plans are simply refusing to comply with the letter and spirit of these laws and regulations and provide access to pricing data; even when they do provide some data many times it is not meaningful and actionable. The problems employers have encountered in getting access to their own data -- despite federal rules confirming their right to it -- is widely recognized and well documented. Congress needs to go further to clarify and enforce the rights of purchasers to actionable transparent information. The stakes couldn't be higher as access and transparency has clearly heightened the accountability and legal risk of enforcement actions from DOL and litigation against self-insured employers like our members.

Employers believe this is a once-in-a-generation moment to transform health care. The affordability crisis and pressure on purchasers, when coupled with newly transparent data under the CAA and the urgency of employee and patient needs, demand change.

However, this moment could go one of two ways: it could default to a check-the-box compliance exercise (those who benefit from the status quo hope so); or it could be the catalyst for actual innovation and change. Without further action by Congress, employers will continue to struggle with these requirements and efforts to drive affordability will stagnate.

For these reasons, last year we urged Congress to continue to push forward on additional reforms in this area to ensure optimal transparency by hospitals, health plans and PBMs. We commend the House of Representatives for its strong bipartisan support in 2023 for the *Lower Costs, More Transparency (“LCMT”) Act*, as a critical step forward in addressing the underlying drivers of rising health costs. We urge Congress to get the job done and send President Biden strong legislation that includes meaningful reforms that will ensure a more transparent health care system for everyone.

DIRECT CONTRACTING AND OTHER INNOVATIONS ACHIEVE BETTER OUTCOMES AT LOWER COST, BUT FACE BARRIERS TO SCALING

Many self-insured employers have taken matters into their own hands to increase transparency, guarantee performance and better outcomes and better align incentives towards health. At least 30% of PBGH members directly contract for health care services on behalf of their employees. Many have been doing this for over a decade and have impressive results.

Each PBGH member who has contracted directly for care -- whether primary care, specialty care or an ACO arrangement -- report at least 10% lower costs than their health plans achieved, and many have saved up to 30% or even 50% lower total cost of care. More importantly, they have also achieved better outcomes for employees and much better patient experience. This was demonstrated and quantified (and published) from the Employer Centers of Excellence Network in which PBGH identified top quality specialists and employers contracted directly with them for specialty procedures. Employees had no cost sharing and reported high levels of satisfaction with access to the country’s best doctors. Participating physicians also reported positive experiences with greater flexibility to practice optimal care, higher payment and coordinated services. This was a notable win-win-win for employers, employees and clinicians.

When it comes to primary care, realizing its potential has been severely constrained by chronic underinvestment, underutilization and a lack of integration with other elements of the care continuum. Our employer members believe primary care investment is common sense and have been advocating on behalf of primary care. Unfortunately, data from our members has also shown despite strong advocacy, primary care spend as a percentage of total medical cost has gone down over the years.

While the focus on primary care decreases, the workload on primary care continues to cause strain on the work force. Many primary care practices see around 20 patients a day for an average of 18 minutes each,² which does not allow for clinicians to adequately address patients concerns and could lead to inappropriate care being delivered as well.³ The burden is exacerbating a shortage in the primary care workforce that does not just impact patients now but will have long lasting consequences given the Association of American Medical Colleges has projected a primary care physician shortage of up to 48,000 clinicians by 2034.⁴

PBGH is currently providing direct assistance to allow our members to identify and more easily contract with high quality Advanced Primary Care for their employees and families. The framework of “Advanced Primary Care” is an evolution of the “medical home” model in terms of patient-centered, comprehensive, coordinated and high-quality primary care. Now that more than a decade has passed since the introduction of the original medical home model, employers are promoting the term Advanced Primary Care to depict higher fidelity and accountability to the principles originally introduced.

The PBGH programs being harnessed by our members aim to reduce overall costs while improving population health, employee and provider productivity and satisfaction, and health equity. Employers believe that primary care is a critical component of our health care system that can serve as a patient’s trust resource and advocate, as well as direct patients to appropriate high quality specialty referrals when needed. Through this work, they are working towards a more equitable health care system by increasing access to high quality primary care. These efforts also illustrate how employers can influence the market by showing that private purchasers are aligned in prioritizing comprehensive advanced primary care. This will bolster efforts by our public partners, as well as CMS and CMMI’s efforts to improve primary care, such as the Making Care Primary model. By working towards different ways to foster public and private partnerships, our employer members want to improve the primary care system together.

Within that context, here are several other specific steps and examples that our members have taken over the years to lead change and support our primary care infrastructure.

² <https://www.usnews.com/news/health-news/articles/2023-01-04/the-hidden-crisis-in-primary-care-medicine>

³ <https://jamanetwork.com/journals/jama-health-forum/fullarticle/2802144#:~:text=The%20median%20physician%20in%20the,or%20less%20with%20thei%20patients>

⁴ <https://www.aamc.org/media/54681/download?attachment>

Direct Contracting with Large Integrated Health Systems

Employers have had strong cost and quality results directly contracting with health systems. One of our members offers its employees in regions where it has sufficient market share, access to health care coverage through a direct contract arrangement with large integrated health systems. Features of those contracts include two-sided risk-based arrangements built on metrics tied to both health outcomes and patient satisfaction metrics to determine shared savings. Indeed, PBGH members overwhelmingly support the power of risk-based contracting and all parties taking responsibility for their work as a key element of successful provider contracts.

For this employer, the arrangement has been hugely successful with improved quality and a reduction in costs for the company and for its employees. For example, the company has seen improvement in key health metrics such as an increase in depression screenings and improved control of blood pressure and diabetes. Employees also prospectively share the savings in the form of lower premium contributions, free primary care and free generic drugs.

Participating providers agree to meet employer quality and access standards and are held accountable for total cost and outcomes. Providers benefit from flexible payments, data sharing and predictable and meaningful standards. Importantly they also have a direct relationship with the purchaser and in almost all cases are able to find mutually agreeable solutions to unexpected challenges. Relationships built on trust and transparency enable aligned goals and meaningful partnerships.

PBGH members have also led innovation on direct contracting for maternity care. Employers pay for 50% of births in the U.S. and want the best access, quality and experience for expectant parents and their families. In direct arrangements, 'bundles' of services can be coordinated to include mental health care, pre- and post-natal services and care reflective of patient priorities.

One important added benefit to all these arrangements is the steep reduction in administrative costs. Antiquated claims payment systems that create friction with providers while also locking them in to fee-for-service arrangements can be by-passed with direct contracts. In some cases, payments are made directly on an agreed schedule between employers and providers. In other arrangements, flexible Third-Party Administrators ("TPAs") can administer payments without unnecessary complexity. However, too often TPAs that serve employers are acquired by legacy actors leaving self-insured purchasers to overcome administrative barriers to direct care.

Direct Primary Care Arrangements

Even when employers lack adequate volume to directly contract with large systems, several have invested in direct primary care (DPC) arrangements that focus on population health and disease prevention and are working with providers who have a proven track record of improving outcomes. Moreover, through these DPC arrangements employees and their families enjoy high-impact, relationship-based primary care with easy access and navigation support. Others have also invested in on-site clinics so that employees can have easier access to primary care by meeting patients where they spend much of their day. Through these direct arrangements, employers can many times implement comprehensive and coordinated primary care and incorporate and integrate behavioral health. This expanded access through coordination with primary care is particularly important given the mental health crisis felt by Americans today.⁵

We know through our members that several of these arrangements allow for team-based, interdisciplinary, and comprehensive primary care and are also enabling payment through a fixed monthly fee tied to population health outcomes. Unlimited access to primary care and prevention services gives providers flexibility to meet patient needs, and eliminating fee-for-service (FFS) billing lets providers focus on patient outcomes and satisfaction instead of incentives that reward procedures over care that improves health. Usually, these programs also allow for innovative information technology platforms that enable patient access to their medical information and contact with a provider at a moment's notice. These models not only improve access, experience and outcomes, but they are also resulting in 10-30% savings for purchasers.

Conclusion

Frustrated by paying for the volume of health services delivered rather than the value of health services received, PBGH members are taking meaningful actions as leaders in employer-provided coverage to transform the health care available to their employees. They are pioneering strategies that directly address the biggest cost drivers to the system. They know that the foundation to a higher value system – and the best way to ensure health needs are met – is through a robust advanced primary care system that includes integrated mental health, addresses social determinants of health, works towards health equity and manages appropriate referrals to top quality specialists.

Employer strategies may vary across regions, but collectively they support strong primary care relationships, steps that seek to avoid costly acute episodes and conditions and allow for access to the highest quality providers for complex conditions.

⁵ <https://www.cnn.com/2022/10/05/health/cnn-kff-mental-health-poll-wellness/index.html>

Used together, all these efforts help PBGH members deliver lower-cost and higher quality care.

The House Education and Workforce Committee has a key role in helping America's private and public health care purchasers can continue to provide affordable and attainable health care for America's workers and their families. PBGH looks forward to working with you to design and enact bipartisan, commonsense legislation that will address this important issue. Thank you again for this important hearing. Please contact Alan Gilbert, Vice President for Policy, The Purchaser Business Group on Health at agilbert@pbgh.org for further information on this or any other matter of mutual concern.