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Statement for the Record
Submitted to U.S. House Committee on Education and the Workforce Subcommittee on Health,
Employment, Labor and Pensions
“Lowering Costs and Increasing Access to Health Care with Employer-Driven Innovation”
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The Blue Cross Blue Shield Association (BCBSA) believes everyone should have access to affordable health care, no matter who you are or where you live. We appreciate the opportunity to comment on reducing costs and increasing the quality of care for those with employer-provided coverage.

BCBSA is a national federation of independent, community-based and locally operated Blue Cross and Blue Shield (BCBS) companies (Plans) that collectively cover, serve and support 1 in 3 Americans in every ZIP code across all 50 states and Puerto Rico. BCBS Plans contract with 96% of hospitals and 95% of doctors across the country and serve those who are covered through Medicare, Medicaid, an employer or purchase coverage on their own.

Employer-provided coverage is the foundation of access to coverage in our country. Almost 180 million Americans rely on the employer-based system for their health care coverage. In fact, according to the most recent Census Bureau report on health coverage, “[o]f the subtypes of health insurance coverage, employment-based insurance was the most common, covering 54.5 percent of the population.” This is followed by Medicaid at 18.8%, Medicare at 18.7% and the individual market at 9.9%.¹ Employer-sponsored plans offer robust and cost-effective benefits to employees. The average actuarial value for employer-sponsored plans has stayed remarkably steady at approximately 83%, which is on average more generous than the silver and bronze plans most often purchased in the Affordable Care Act (ACA) marketplaces.² Not only are the benefits generous, but employers paid, on average, 83% of the premium cost of single coverage and 71% of the premium cost of family coverage in 2023.³ Employee satisfaction is high — 93% of workers report they are satisfied or highly satisfied with the coverage they get through their jobs.⁴

Two key federal policies underpin the success of this market:

¹ U.S. Census Bureau, “Health Insurance Coverage in the United States: 2022”, <https://www.census.gov/content/dam/Census/library/publications/2023/demo/p60-281.pdf>, p. 2.

² Employee Benefit Research Institute, “The More Things Change, the More They Stay the Same: An Analysis of the Generosity of Employment-Based Health Insurance, 2013–2019”, <https://www.ebri.org/content/the-more-things-change-the-more-they-stay-the-same-an-analysis-of-the-generosity-of-employment-based-health-insurance-2013-2019>.

³ Kaiser Family Foundation, “2023 Employer Health Benefits Survey,” October 18, 2023, p. 88 <https://www.kff.org/health-costs/report/2023-employer-health-benefits-survey/>.

⁴ U.S. Chamber of Commerce, “Employer Provided Health Care: Consumer Perceptions and Satisfaction Metrics”, <https://www.uschamber.com/assets/documents/Final-PACT-Public-Opinion-Survey.pdf>.

- **ERISA:** The Employee Retirement Income Security Act of 1974 (ERISA) has served businesses and their employees well for fifty years. The purpose of ERISA is to encourage employers to offer benefits by ensuring a uniformity of plan administration and benefits for self-funded employee benefit programs. ERISA includes important protections for employees and their dependents while ensuring, through its preemption provision, that employers can provide uniform benefit programs, with consistent and efficient administration, to all their employees wherever they may be located. Importantly, ERISA does not preempt state insurance laws that apply to insurance companies or the insurance policies they issue to ERISA plans. ERISA has been remarkably successful in supporting the proliferation of employer-sponsored group health benefits. We urge Congress to avoid taking any action that would undermine the ERISA preemption on which employer-provided coverage depends.
- **Employer Tax Exclusion:** For more than 60 years, employer-paid premiums for health insurance have been exempt from federal income and payroll taxes. The employer-sponsored tax exclusion is cost effective when compared to government programs. The cost to the federal government of the tax exclusion for each person covered is roughly one-third of the average direct federal expenditures for each individual covered through Medicaid or the individual market and roughly one-eighth of the average direct federal expenditure for each individual covered through Medicare.^{5,6} Moreover, employer-provided coverage offers a strong return on investment. Employers with 100 or more workers saw a 47% return on investment through offering health insurance in 2022, due primarily to increased productivity, which is projected to rise to 52% by 2026.⁷

Congress should build on what is working in our current health care system to give people the choices they need at a price they can afford. Together, employers and health insurance companies have led the way in developing patient-focused care programs such as chronic care management, wellness initiatives and centers of excellence that have helped people get healthy faster and stay healthy longer. BCBSA and BCBS Plans also have worked with businesses to develop innovative models to improve health care payment and delivery, changing how employers pay for health benefits to align payment with better outcomes.

BCBS Plans have more than 654,000 providers delivering care through value-based contracts, and more than 81 million BCBS members have access to our value-based programs. In these partnerships, we see more appropriate care, better management of chronic conditions, more preventative care and less utilization of unnecessary services. This includes a 6% increase in immunization rates, 12% better adolescent wellness care, and 13% lower utilization of emergency services for non-emergent care.⁸

These innovative models can deliver more affordable coverage, too. For example, Independence Blue Cross collaborated with Penn Medicine researchers to identify a collaborative care model for providing and paying for mental health services at primary care practices. They found that modest spending on collaborative care services saved \$29.35 per member per month for patients in collaborative care.⁹

⁵ Employee Benefit Research Institute, "The Tax Efficiency of Employment-Based Health Insurance", <https://www.ebri.org/content/the-tax-efficiency-of-employment-based-health-benefits>.

⁶ The Boards of Trustees, Federal Hospital Insurance and Federal Supplemental Medical Insurance Trust Funds, "2023 Annual Report of the Boards of the Trustees of the Federal Hospital Insurance and Federal Supplemental Medical Insurance Trust Funds", [2023 Medicare Trustees Report \(cms.gov\)](https://www.cms.gov/2023-Medicare-Trustees-Report), Table V.D1.

⁷ Avalere Health, "Return on Investment for Offering Employer-Sponsored Insurance", https://www.uschamber.com/assets/documents/20220622_Chamber-of-Commerce_ESI-White-Paper_Final.pdf.

⁸ Internal BCBSA analysis: 2019 Total Care National Aggregate Evaluation, released December 2021, evaluation of BCBS claims from 2018-2019.

⁹ The American Journal of Managed Care, "Impact of the Collaborative Care Model on Medical Spending," October 2023, <https://www.ajmc.com/view/impact-of-the-collaborative-care-model-on-medical-spending>.

Additionally, BCBS Plans offer employers in over 68 major U.S. markets access to the Blue High Performance Network (BlueHPN), designed to deliver enhanced quality and lower costs by partnering with providers that are committed to and accountable for improving care today and in the future. BlueHPN applies a nationally consistent framework to building a high-quality, lower cost network, while honoring local market dynamics. This network offers 11% total cost of care savings, on average, compared to our industry leading BlueCard preferred provider organization (PPO), and up to 20% savings in some markets.¹⁰

BCBSA has developed a national centers of excellence program, Blue Distinction® Specialty Care, by designating high-performing providers that demonstrate quality by delivering safe, effective and cost-efficient care. The program focuses on 11 high-impact, complex care — bariatric surgery, cancer care, cardiac care, cellular immunotherapy-CAR-T, fertility care, gene therapy-ocular disorders, knee and hip replacement, maternity care, spine surgery, substance use treatment and recovery, and transplants. More than 5,370 Blue Distinction Specialty Care designations have been awarded to more than 2,480 facilities/providers. Overall, patients treated by Blue Distinction Specialty Care providers have better results, fewer complications, lower readmission rates, and more than 20% average savings.¹¹

BCBS Plans are also improving maternal health and delivering cost savings through value-based incentives. This includes offering a maternity admission management program through Accountable Care Organizations and Patient Centered Medical Home models and implementing care management programs for high-risk maternity patients. In a recent survey, BCBSA identified that over 50% of care management programs focused on high-risk maternity patients.

Specific to maternity, BCBS Plans are working with providers to reduce maternal health disparities through risk-bearing arrangements and payment incentives.

- **Independence Blue Cross:** Leveraging maternal health vendor, Cayaba, for two-way risk stratification to identify pregnant members, proactively determine risk factors and incent gap closure.
- **Horizon Blue Cross Blue Shield of New Jersey:** Engaged 18 providers in New Jersey for episode-based, upside risk model. Practices in this arrangement reduced C-Section deliveries by 2%.
- **Anthem Blue Cross and Blue Shield:** Obstetric Quality Improvement Program (OBQIP) – offers incentives and downside risk and resulted in 4% decrease in C-Sections; 2% decrease in pre-term births; and 3% decrease in low birth weight.

Further, BCBSA data shows the Blue Distinction Centers for Maternity Care program has outperformed national averages leading to 17% fewer cesarean births, 60% fewer elective deliveries and 26% fewer episiotomies.¹²

Unfortunately, health care costs in the U.S. continue to grow to unreasonable and unsustainable levels, threatening affordability for American families and businesses. The main driver of higher costs is the underlying price of medical care. Because when the price of delivering care goes up, those increases are

¹⁰ Total cost of care savings based on Consortium Health Plans analysis, 2020. Savings are on average and assume 100% enrollment.

¹¹ Internal BCBSA analysis of BCBSA and registry data: BDC/BDC+ eligible providers vs. relevant comparison group. Results based on most recent designation cycle for each specialty. Savings based on BDC/BDC+ total episode cost.

¹² Blue Cross Blue Shield Association, “Blue Distinction® Centers Promote Health Equity to Reduce Racial and Ethnic Disparities and Improve Patient Outcomes.” January 9, 2024. <https://www.bcbs.com/press-releases/blue-distinctionr-centers-promote-health-equity-reduce-racial-and-ethnic-disparities>.

reflected in higher costs to consumers. In fact, prices are the primary driver of higher overall health care spending, rising at roughly double the rate of general inflation.¹³

BCBSA supports reforms that strengthen the employer-based system to promote better quality, improve consumer choice, and help bring prices and costs under control. To drive down prices for care and ensure continued access to coverage for employers and their employees, we urge Congress to take strong action on a significant policy solution:

Expand site-neutral payment policies and promote fair billing practices: We applaud the House of Representatives for taking steps in the Lower Costs, More Transparency Act (Section 204) to require hospital-owned provider offices to obtain their own national provider identifiers (NPIs) in the Medicare program. This will allow health plans and the Medicare program to accurately pay for services delivered in both hospital and non-hospital settings. According to the Congressional Budget Office, Section 204 of the legislation will reduce direct spending and increase revenues by \$2.5 billion over the ten-year budget window.¹⁴ We also appreciate the efforts of the Chairwoman and other Committee members to expand fair billing practices to the commercial market. Likewise, Congress should improve fair billing practices by requiring hospitals to bill all professional health care services using a CMS 1500 claim form which provides more detail on site of service. BCBSA encourages Congress to take a step further and enact federal legislation to standardize payments for identical services provided in a physician's office and hospital outpatient departments (HOPDs). Congress should eliminate the grandfathering provision of the Bipartisan Budget Act (BBA) of 2015, which today exempts certain HOPDs from Medicare. An independent estimate of the federal savings assumes over \$230 billion over the ten-year budget window. Further, the estimate assumes \$152 billion (about \$470 per person in the US).¹⁵ BCBSA supports policies contained in S. 1869, the Site-based Invoicing and Transparency Enhancement (SITE) Act, which eliminates the grandfathering provision. Changing payment rates in Medicare will help commercial plans negotiate more aggressively to lower costs for patients.

Conclusion

BCBSA commends the Subcommittee for holding this hearing to examine policies that lower costs and increase innovation for those who offer and have employer-provided coverage. We urge the Committee to preserve access to health coverage for the almost 180 million employees and their dependents that rely on their employer for quality health care coverage.

¹³ "2020 Health Care Cost and Utilization Report," Health Care Cost Institute, May 2022, https://healthcostinstitute.org/images//pdfs/HCCI_2020_Health_Care_Cost_and_Utilization_Report.pdf, and BCBSA calculations based on data from Congressional Budget Office, Consumer Price Index, Historical Data and Economic Projections, May 2022, <https://www.cbo.gov/data/budget-economic-data#4>.

¹⁴ Congressional Budget Office. "Estimated Direct Spending and Revenue Effects of H.R. 5378, the Lower Costs, More Transparency Act." December 5, 2023. https://www.cbo.gov/system/files/2023-12/hr5378-DS-and-Revs_12-2023.pdf

¹⁵ Blue Cross Blue Shield Association. "Affordability Solutions for the Health of America." Blue Cross Blue Shield, January 24, 2023. <https://www.bcbs.com/the-health-of-america/articles/affordability-solutions-white-paper>