



PARTNERSHIP FOR EMPLOYER-SPONSORED COVERAGE

The Honorable Alex Azar
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW, Room 600E
Washington, D.C. 20201

RE: RIN 0991-ZA49
Submitted via www.regulations.gov

Dear Secretary Azar:

The Partnership for Employer-Sponsored Coverage welcomes the opportunity to comment on the Department of Health and Human Services' (HHS) blueprint to lower drug prices and reduce out-of-pocket costs (RIN 0991-ZA49).

The Partnership for Employer-Sponsored Coverage is a newly-formed advocacy alliance of employment-based organizations and trade associations representing businesses of all sizes and the over 178 million American workers and their families who rely on employer-sponsored coverage every day. The Partnership is committed to working to ensure that employer-sponsored coverage is strengthened and remains a viable, affordable option for decades to come.

As the Administration, Congress and the broader stakeholder community explore policies to address costs in our nation's health care system, including pharmaceutical costs, the Partnership for Employer-Sponsored Coverage urges policy- and lawmakers to take into full consideration the intricate involvement of employers of all sizes in every aspect of the system, as we are the primary payers of health coverage for the majority of Americans.

Over the last quarter of a century, scientific and technological advances in health care have significantly changed the quality and longevity of life for millions of Americans. These advances have also significantly changed every aspect of our nation's health care system – from the nature of a visit in a physicians' office, to the increased use of outpatient clinics versus an in-person hospital stay, to the use intravenous and specialty medication treatments versus invasive surgeries with long recovery times.

Advances in health care treatments come with a financial cost to everyone in the system – payers, patients, providers, manufactures. While Americans understand that health costs continue to rise, there is little general understanding of how the health care system functions and what goes into these costs. Further, while Americans can easily reach into their wallets to find their health insurance card, there is not an ease of understanding of how a medical claim gets processed through the system or whom in the end pays which costs.

Employer-sponsored coverage has been the backbone of our nation's health system for over seven decades. Employers of all sizes contribute vast resources to their employees and families through the employer-sponsored system. As the payer of coverage, employers have a vested interest in health care quality, value, and system viability. Employers have been on the leading edge of health delivery innovation and modeling for decades. Further, benefits offerings and coverage plans in the employer-sponsored system are as diverse as employers themselves. There is no one-size-fits-all employer plan. A larger employer who offers self-insured coverage – which comes with the most financial risk but has the benefit of being able to be tailored for their workforce's specific needs – is considerably different from a smaller or midsize employer who offers fully-insured coverage – which faces fiscal pressures of the individual and small group market without the ability to tailor coverage.



The foundation of the employer-sponsored coverage system is rooted in workforce policy and business operations. Employers of all sizes offer coverage for employee recruitment and retention. The functionality of a business is centered around a productive, thriving and healthy workforce. The ability to offer coverage to employees and the ability to operate a business for its core purpose are not mutually exclusive functions. An employer offer of coverage is not merely a transaction in which an employee fills out paperwork, enrolls in coverage, and receives an insurance card – it is a multifaceted fiscal and operational commitment at the core of a business.

The Partnership for Employer-Sponsored Coverage urges the Administration and Congress to consider the following issues when developing policies to address costs in our nation's health care system: 1) financial resources of employers; 2) interaction between public health programs and employer-sponsored coverage; and 3) transparency and consumer awareness.

Financial Resources of Employers

As stated above, employers have a vested interest in ensuring their workforce is healthy and productive, and they pride themselves on the ability to offer quality health coverage to their employees and families. The ability to offer these benefits becomes more difficult as health costs continue to rise. As also noted above, employers do not have unlimited financial resources at their disposal for benefits coverage – there exists a balance of providing quality care at a growing cost with the pressures of all other business operations.

As health costs have continued to rise over the years, employers have developed and implemented innovative design and delivery solutions, and more often than not, have had to allocate additional financial resources away from other areas of their operational budget. Larger employers have implemented innovative solutions to help tackle growing drug costs such as direct purchasing, enlisting pharmaceutical consulting services to help employees navigate the system, and contracting with third-party vendors to advise on pharmaceutical industry and clinical trends. Small and midsize employers tend not to have these tools at their disposal, so their per capita drug spend will continue to rise. The ability for employers to economize on system efficiencies to combat rising costs has become increasingly difficult and for some, obsolete.

Interaction Between Public Health Programs and Employer-Sponsored Coverage

As lawmakers enact, and regulators implement changes to the Medicare and Medicaid programs, there is often a disconnect or lack of thought about the impacts these policies have on private sector employer-sponsored coverage. Due to the nature of provider reimbursements in public programs being relatively fixed, providers shift costs to private payers. Health care is a business just like any other industry. Revenue that a health provider cannot obtain from contracting with a public program is made up by increasing the cost of providing services to employees enrolled in private sector employer-sponsored coverage. For example, a provider may charge a private payer upwards of three or four hundred percent of the Medicare rate for the same service.

As noted above, large employers who self-insure utilize design innovations and consulting services to maximize efficiencies in a world where the cost of health care services outpaces other sectors of our economy. Small and midsize employers utilize the services of insurance agents and brokers to maximize their purchasing power within the fully-insured market. Whether a large employer is negotiating contracts directly with a health system network or a smaller employer is contracting with an insurance carrier who has negotiated with these same health system networkers on behalf of their book of business, the reality remains that network adequacy and provider fee schedules in the private market are directly tied to reimbursement and coverage policies in public health programs.



Transparency and Consumer Awareness

The health care industry is extremely complex and complicated. Navigating the health care system for a consumer is most often mindboggling, frustrating and emotionally draining. Employers of all sizes face the same daunting situation as they navigate the system to provide health coverage to their employees and families. Adding to the complexity for both employees and employers is the myriad of pharmaceuticals available in the market and the numerous issues regarding clinical efficacy, formulary equivalence, rebates and cost-sharing.

On the business side of negotiating drug formularies or direct purchasing, there is an important need for employers to strike a balance between the coverage of medications and fiscal constraints faced with increased cost of these medications. Additionally, there is little general understanding or knowledge of the pharmaceutical supply chain from the employee and employer perspective – there is no understanding of how a drug flows through the chain from FDA approval to availability at the pharmacy counter or doctor's office. Transparency of the drug supply chain would enable employers to be better educated purchasers on behalf of their employees and families.

Conclusion:

The Partnership for Employer-Sponsored Coverage welcomes the opportunity to work with the Administration, Congress and the broader stakeholder community in a bipartisan manner on reforms to our nation's health care system to ensure that employer-sponsored coverage is preserved and thrives for generations of hardworking Americans to come. As a coalition representing businesses of all sizes, we have the unique ability to provide operational input across the full spectrum of the employer system – from the smallest family business to the largest corporation. Employers have a great stake in the development and implementation of health care policies and we look forward to working with you as this process continues.

Sincerely,
Partnership for Employer-Sponsored Coverage

The Partnership for Employer-Sponsored Coverage (www.p4esc.org) membership includes: American Hotel & Lodging Association, American Rental Association, American Staffing Association, Associated Builders and Contractors, Inc., Auto Care Association, HR Policy Association, International Franchise Association, National Association of Health Underwriters, National Association of Wholesaler-Distributors, National Restaurant Association, National Retail Federation, Retail Industry Leaders Association, Society of American Florists, Society for Human Resource Management

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