



PBGH
Pacific Business
Group on Health

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August 18, 2009

The Honorable Nancy Pelosi
United States House of Representatives
235 Cannon House Office Building
Washington, D.C. 20515-0508

Re: Need for Health Reform to Address Cost Trends for Public and Private Purchasers

Dear Congresswoman Pelosi:

On behalf of the Pacific Business Group on Health (“PBGH”), we are writing to thank you for your leadership and commitment to advancing much needed reform of our health care system. The Pacific Business Group on Health has a unique voice in the health care debate. For over twenty years we have worked to improve the quality and affordability of health care. Our membership includes the largest purchasers of health care in California, with both public and private organizations such as CalPERS, Intel, Southern California Edison, Union Bank and Wells Fargo. In addition, we understand and seek to represent the needs of small business. For seven years we operated PacAdvantage – the Health Insurance Plan of California – which serves as a model for the “exchanges” that are core to many of the reform discussions. We continue to have small business representatives on our board.

We believe it is critically important to preserve the ERISA framework that has made coverage possible for over 130 million Americans. We urge you not to erode the ERISA framework that employers rely upon when they provide health coverage to their workforce.

In addition, we are writing to underscore that as you work to finalize reform legislation, you must recognize that we cannot afford “reform at any cost” but need reforms that meaningfully address the escalating costs of health care faced by all Americans. Successful health reform legislation must achieve three interlocking goals:

- **Quality, affordable health insurance for all Americans;**
- **Higher quality health care that results in a healthier nation; and**
- **Lower rate of growth of health care costs for governments, businesses, and American households.**

Each of these three goals will be difficult to achieve, but we are particularly concerned that the discussions of how to finance the needed expansion of coverage is leaving unaddressed the need to reduce the rate of growth of health care costs which are driving up federal deficits, making American businesses less competitive and literally bankrupting families across the country.

Health reform must assure that improved quality will be delivered to Americans enrolled in both private and public programs, especially Medicare, in a financially sustainable manner. Several key additions are needed to strengthen Congressional proposals, making Medicare stronger and laying the foundation for a more efficient private sector that delivers value for patients. Many of these improvements reflect the “value-purchasing” philosophy embraced by the Pacific Business Group on Health and our members. We encourage you to consider the following changes to the current legislative proposals:

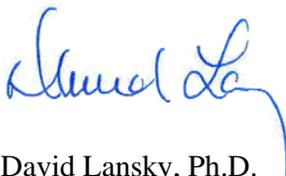
1. **Improved Measurement of Performance:** We cannot change delivery, reform payments, or engage consumers if we do not know what works. The legislation already includes elements to dramatically expand programs to measure the cost and

quality of medical care at all levels. PBGH is a founding supporter of *Stand for Quality*, a diverse coalition of more than 200 organizations supporting the inclusion in reform legislation of public-private sector efforts that aim to improve the quality and affordability of health care through better measurement (see www.standforquality.org). Beyond these recommendations, we strongly support enhanced investments and independent oversight of comparative effectiveness research and allowing CMS to publicly release de-identified Medicare data to facilitate all-payer analysis of provider performance.

2. **More Public Reporting and Consumer Engagement:** Transparency and public reporting need to be dramatically expanded. The federal government should publicly report cost and quality profiles for all providers together with population health rankings by state, regions, and local communities. Beyond reporting, we need to engage consumers with information and incentives to make better choices. Medicare, Medicaid, and health plans participating in health insurance exchange programs should provide incentives to beneficiaries through premium contributions and co-payments to encourage the use of better value services and to select high performance providers. The HIPAA regulations that limit the economic value of potential employee incentives for improving health status should be increased. And there need to be expanded incentives for both consumers and providers to engage in shared-decision making.
3. **Payment Reform:** The Secretary of HHS should be required to develop and implement a system to rapidly transition to value-based payment. To achieve this goal, HHS needs stronger authority to support rapid testing, evaluation, expansion, and revision of payment models in Medicare and Medicaid, as well as the direction to align with payment systems used by private payers.
4. **Assuring Public AND Private Sector Cost Containment:** Many elements of the reform legislation seek to rein in the growth of health care costs, but their ultimate effect is uncertain. We must have a mechanism to guarantee that health care cost growth is indeed moderated to sustainable levels for both the public and private sectors. We need to establish and grant the necessary statutory authority to an independent entity of health care experts and stakeholders, including employers and patients, to require implementation of evidence-based cost containment strategies if spending growth exceeds targets.

The Pacific Business Group on Health and its members share your conviction that the path we are on is unsustainable. We appreciate the opportunity to add our voice to the national health care reform debate. Please do not hesitate to call on us if we can provide assistance in advancing responsible legislation built on a foundation of value-based purchasing.

Sincerely,



David Lansky, Ph.D.
President and Chief Executive Officer



Peter V. Lee
Executive Director, National Health Policy