

A PROPOSAL  
TO DELIVER  
AFFORDABLE,  
QUALITY  
HEALTHCARE TO  
ALL AMERICANS

# Closing the Gap

- Covering ALL Americans
- Improving Healthcare Quality Through Innovation
- Changing the Financial Incentives of the Health Delivery System

HEALTHCARE  
LEADERSHIP  
COUNCIL



## The Healthcare Leadership Council

The Healthcare Leadership Council (HLC) was founded in 1988 by chief executives of the nation's premier healthcare companies and organizations. At the HLC table, leaders from all sectors of for-profit and non-profit healthcare work together to advocate their shared vision of a system that offers accessible, innovative healthcare of the highest attainable quality for all Americans.

The *Closing the Gap* document is a consensus proposal developed by leaders of health plans, hospitals, pharmaceutical companies, medical device manufacturers, academic health centers, pharmacies, health industry distributors and other sectors. It reflects the shared belief that comprehensive health reform must not only make healthcare more accessible for all, but must also ensure that the dollars spent on healthcare are generating exceptional value and high quality of care.

It is time to close our country's healthcare gap. For the sake of America's well-being, economic viability and its future, it is essential that we not only close the gap between our nation's insured and uninsured citizens, but also between the status quo and the extraordinary healthcare system we are capable of having.

Our nation's policymakers must work in collaboration with private sector healthcare leaders, from all for-profit and not-for-profit sectors, to build a 21st century healthcare system defined by accessibility, innovation, shared responsibility and constantly improving quality. This optimal healthcare system will recognize the appropriate roles of both the government and the private sector in the delivery and financing of healthcare. It will utilize consumer choice and competing coverage options as engines to drive improvements in cost-efficiency, quality and value, while relying upon evidence-based comparative information as the foundation of patient care. The Healthcare Leadership Council (HLC), representing all sectors of the healthcare industry, is uniquely positioned to advocate for such improvements to our healthcare system.

The task before us is not a simple one. On one hand, we must take care to do nothing to undermine the strengths that have characterized healthcare in America – constant innovation and the development of new cures, treatments and technologies that have increased longevity, conquered disease and made long-term hospitalizations and disabilities increasingly less common.

But, we must begin this process by acknowledging that healthcare in the United States today can be delivered more efficiently and effectively. We are not maximizing the opportunity to help individuals access and afford private insurance coverage, and too many Americans who are eligible for public health coverage programs are not receiving those benefits. Payments to healthcare providers are not structured to reward positive patient outcomes and cost-efficient care. Our current medical liability system not only reduces accessibility to vital health services, but also has a chilling effect on medical innovation and the sharing of information that is critical to an evidence-based healthcare system. And, we can do much more to emphasize wellness, prevent or manage chronic disease and invest patients with the tools and responsibility to preserve and improve their own health.

The good news is that the problems we face are not, by any means, insurmountable. State governments are embarking on innovative experiments to expand healthcare coverage. Federal agencies and private-sector providers are working together on new approaches to tie healthcare spending to improved patient health, while employers and insurers are beginning to use value-based benefit designs. Innovative pharmaceutical and medical

technology companies are developing new products to preserve health, increase lifespans and avoid the need for expensive surgeries and lengthy hospitalizations. And the HLC is demonstrating through its *Health Access America* health coverage outreach initiative that it is possible to significantly reduce the uninsured population with existing public and private resources.

Sensible public policy changes can bring us closer to a goal that transcends political and ideological differences — that all citizens should have access to high-quality healthcare and that the dollars invested in our healthcare system should fuel innovation, the prevention of illness and disease, and positive patient outcomes. Our national well-being and our economic prosperity depend on our success in achieving these objectives.

We, the members of the Healthcare Leadership Council, believe the following components must be cornerstones of a market-based, consumer-centered healthcare reform plan for the 21st century.

### ***1. Every American Should Have Health Coverage.***

We cannot continue to sustain an environment in which tens of millions of Americans are without health coverage. Not only do uninsured individuals tend to go without the preventive care that leads to good health and longer lives, but the “uncompensated” medical care they do receive has negative consequences on the nation's healthcare providers and drives up healthcare costs for all Americans.

HLC research has shown that a majority of Americans do not know where to turn for information on health coverage options. For example, an estimated 25 percent of the uninsured are eligible for Medicaid or Children's Health Insurance Program (CHIP) coverage, but are not enrolled. Through better outreach and dissemination of information, we can take meaningful steps toward addressing the uninsured problem. Recent outreach initiatives have been highly successful in enrolling uninsured individuals in both private health plans as well as public programs.

Beyond helping Americans better understand their health coverage options and opportunities, the HLC recommends the following public policy approaches to address America's uninsured crisis.

#### ***a. Help individuals purchase health coverage and promote individual responsibility to have coverage.***

Several steps can and should be taken to provide all Americans greater access to health insurance.

The health insurance marketplace should be reformed to make private health insurance more affordable. A requirement that all Americans must possess health coverage must be

accompanied by a guarantee that every individual can purchase health insurance regardless of any pre-existing health condition they may have. Several political and health industry leaders have recommended this reform, and they are correct to do so. To have a sustainable health insurance system, it is imperative that the pool of insured individuals include those who are healthy as well as those who have greater immediate need of health services. By having everyone in the system, those with insurance will no longer be bearing a financial burden for care provided to the uninsured.

In determining the minimum level of coverage an individual must purchase, it is essential that market innovation in benefit design and affordability be maximized. Policymakers must avoid excessively mandated benefits that would create onerous financial burdens for individuals, employers and governments. At the same time, we must ensure the availability of benefit packages that enable individuals with rare and serious diseases to receive the care they need without facing obstacles.

This policy change must be accompanied by assistance for low-income individuals to help them purchase health insurance. This assistance can be in the form of advanceable, refundable tax credits or targeted sliding-scale premium subsidies. In designing these assistance programs, policymakers must recognize geographic differences in medical costs and average premiums. Additional assistance to help individuals afford cost-sharing may also be needed and could be offered in numerous ways, such as a funded “debit” card to help pay for deductibles, co-pays and other unfunded diseases.

Immediate steps should be taken, as well, to eliminate tax disparities between the respective treatment given to employer-sponsored coverage and individually-purchased health insurance. Currently, employees receive an unlimited tax exclusion on health benefits received through their employer, but individuals without employer-sponsored insurance must pay for private health insurance with after-tax dollars. This imbalance must be corrected by giving individuals the same tax benefits as people in the group market.

***b. Maximize the ability of individuals to take advantage of employer-offered health insurance.***

If given the opportunity to build a health coverage system from scratch, it is entirely possible that the current employer-sponsored structure might not be the system of choice. Over the past decade, some employers have stopped offering coverage to their workers. It is not practical, however, to turn away from a system that provides coverage to nearly 60 percent of all Americans and offers already-formed large risk pools. Rather, the challenge today is to maximize the effectiveness of the employer-based system.

## Reducing America’s Uninsured Population Today

As expressed in this paper, there is a need for policy measures to make health coverage more accessible for the nation’s uninsured.

It is not necessary, however, to wait for public policy action to reducing the uninsured rolls.

Research commissioned by the HLC has found that more than 50 percent of the nation’s uninsured population does not know where to turn for information about how to acquire health coverage. To address this information gap, HLC developed a year-long initiative called *Health Access America*. In nine U.S. cities, community organizers arranged more than 1,000 informational events at which attendees could enroll in public health coverage programs or purchase private health insurance.

These events were targeted toward population groups with high rates of uninsurance – small businesses, young adults, children and the Latino community.

Of the more than 33,000 people who received information from these activities, more than 16,000 have acquired either private or public health coverage.

These striking results illustrate the gains that can be made in addressing the nation’s uninsured challenge by making education and information a priority.

The majority of employers who can afford to offer health coverage are currently doing so. It is important, though, to ensure a level playing field and all employers should, in some fashion, offer access to health coverage for their employees. Alternatives must be available for employers who cannot afford to offer coverage. In order to foster innovation and avoid undue burden, employers should have considerable flexibility in choosing the benefit packages they offer.

When an employer does offer insurance, it does not necessarily mean that individuals accept it. We know that 80 percent of the uninsured population live in wage-earning households, and that half of this group is offered insurance by an employer, but does not accept it. Often, this is because of the inability to afford the employee’s share of the premiums. Rising numbers of uninsured, as well as inadequate Medicare and Medicaid payment levels to providers, have contributed significantly to an increase in private health insurance costs. Premiums for employer-sponsored family coverage have increased 119 percent since 1999, much of this stemming from cost shifts created by an increased payment from private insurance to cover underpayments by Medicare and Medicaid.

Subsidies should be provided to individuals who cannot afford their share of the premium for health insurance offered by their employer. If these individuals are eligible for public programs, CHIP and Medicaid dollars should be leveraged to provide premium assistance, thus helping working families and individuals afford the private health insurance offered at their workplace.

*c. Maintain viable public programs for low-income individuals without access to either employer-sponsored insurance or the private individual market.*

Millions of currently uninsured Americans can have greater access to private health coverage through the aforementioned tax incentives and the use of Medicaid/CHIP dollars to help subsidize private insurance premiums. Enlarging the pool of insured citizens will have a compounding effect, lowering costs for all and making coverage even more accessible.

It is essential, nonetheless, to maintain alternatives for those who cannot, even with assistance, afford private coverage options. Federal and state governments must maintain fully-funded public coverage programs with more effective outreach to eligible families and individuals. Medicaid should be available to all Americans at or below 100 percent of the federal poverty level.

With government providing these public programs and financial support, it must be made clear to individuals that there is a responsibility to utilize these options.

*d. Ensure that health coverage options are able to respond to new market innovation.*

Laws and regulations should support innovation in the ways to provide health coverage, as long as these proposals: (a) do not create an unlevel playing field; (b) enable innovation in coverage and plan design; (c) offer consumer choice and competition

among plans; (d) emphasize portability, recognizing the realities of a society that is increasingly mobile and frequently changes jobs; and (e) recognize that government should not impede private sector innovation or market responsiveness, but should perform its primary role in healthcare – financially enabling low-income Americans to gain access to health coverage.

It is essential that changes to the current health coverage system be performed in a deliberate, prudent manner to avoid adverse effects for the 250 million Americans who currently have health coverage.

***2. Improve Healthcare Quality Through Innovation and More Effective Dissemination of Medical Knowledge.***

Enhancing access is a key step toward creating an optimum healthcare system, but access improvements must be paired with steps to elevate healthcare quality. We need to improve patient safety, eliminate geographic and ethnic disparities in care and ensure that all patients have a medical home that includes an established relationship with their physician. Patients must receive the right treatment at the right time. There must also be a greater emphasis on prevention, keeping Americans healthier and improving the financial health of our healthcare system by making optimal use of today's and tomorrow's medicines, technologies, tests and treatments. This can be accomplished through better development of evidence-based medicine and best practices, and by investing funds in the technologies that can place best practices and evolving knowledge at the fingertips of all healthcare providers and patients.

*a. The health delivery model should be changed to emphasize integrated care coordination in a continuous learning environment.*

Variation in healthcare delivery and resulting disparate health outcomes is well-documented. Utilizing clinician training and

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continuing medical education to disseminate information is one key way to reduce this variation. Delivery can also become more effective by promoting the integration of care, involving clinicians and all providers who meet patient needs, around a patient-centered, evidence-based medicine model.

In addition, research has shown that work in teams across disciplines and between care providers results in better outcomes. Unfortunately, this is not the current culture within the healthcare delivery system. A new way of delivering care is needed that emphasizes this team approach, focused on evidence-based medicine. Care coordination teams will also be better able to deliver patient-centered, evidence-based care that focuses on prevention of and intervention with chronic diseases, which drive the majority of healthcare spending. Federal health coverage programs and private plans alike must insist upon care coordination and structure financial incentives to encourage innovation.

***b. Establish nationwide health information connectivity between healthcare providers to improve both the efficiency and quality of care.***

The American Recovery and Reinvestment Act of 2009 allocated significant funds to encourage health information technology (HIT) adoption and established a process

### The Importance of Public-Private Cooperation to Help the Uninsured

HLC members strongly support the use of public subsidies to help low-income individuals and families afford health insurance offered by their employers.

“Premium assistance” is a policy option that is gaining greater traction as a tool to help more Americans gain access to the quality healthcare that comes with having coverage. States are finding that they can reduce the cost of safety net programs by taking advantage of contributions that employers are willing to make toward workers’ health coverage. For many working families, a little helping hand is all that’s necessary to make their share of health insurance premium costs affordable.

While many premium assistance programs are in their infancy, states such as Oklahoma and Rhode Island are successfully enrolling hundreds of small business in their initiatives and enabling thousand of individuals to obtain health coverage.

for national standards development, certification and implementation of HIT on a nationwide level. It is critical that we build upon the significant progress that has already been made in this area. Now that financing mechanisms have been put in place to assist healthcare providers in affording the infrastructure and training to participate in a privately-developed health information network linking patients and providers throughout the country, work must begin to ensure that the funds are used appropriately to encourage the free flow of information necessary to improve the value of our healthcare system.

Healthcare lags significantly behind other industries in the use of information technology, but local and regional health information initiatives are providing important lessons that can be utilized in establishing national connectivity. The ability to share information instantaneously and to rapidly and broadly disseminate knowledge on new approaches and best practices can do much to eliminate inefficient and unsafe care.

For a nationwide health information network to achieve its full potential in improving the quality of patient care, further improvements must be made in the way we protect the confidentiality of medical records. While the current Health Insurance Portability and Accountability Act (HIPAA) rules are providing effective protections, a multistate data network requires the creation of a national patient privacy standard to replace differing, and sometimes conflicting, state laws, rules and guidelines. Such a standard must protect patient confidentiality without imposing unnecessary and harmful restrictions that would impede the flow of patient information to healthcare professionals and medical researchers.

Providing access to information must, of course, be paired with adequate incentives for providers – physicians and hospitals, as well as home health, long term care and other ancillary providers – to use available data and to practice patient-centered, evidence-based medicine.

***c. Increase patient health literacy and provide consumers with information essential to make sound health plan choices.***

While driving change within the healthcare community is critical, a patient-centered, evidence-based medicine system must have the collaboration of the patient-as-consumer as well. Patients need information about effective care and treatment that will result in the best possible outcomes. Transparency is a critical element to any market-based economic system; healthcare consumers must be equipped with essential comparative information in order to make sound purchasing decisions. This change is essential in order to enable consumer choice and competition to elevate quality and value.

The federal government, employers and private sector healthcare companies should jointly fund a national campaign to increase the ability of people to obtain, understand and utilize health information to make appropriate health decisions, complementing ongoing efforts to encourage people to make healthy lifestyle choices. Fundamental health and lifestyle information should be incorporated, as well, into school curricula at the earliest stages of formal education. Additionally, there is a responsibility to help Americans – both patients and family members – become better informed about their palliative and long term care options.

A national education campaign should include the continued evolution of the personal health record (PHR), which allows consumers to actively manage their own health by providing individual medical information, actionable decision support, as well as disease management and prevention tools. To achieve mass adoption of the PHR, patient incentives and confidentiality must also be integrated into the consumer campaign. This is a critical component to a well-functioning healthcare delivery system.

### ***3. The Financial Incentives of the Health Delivery System Must Be Changed.***

Reaping the savings and improved outcomes that follow from quality improvement initiatives, such as improved coordination of care through health information exchange and electronic medical records, will require a medical payment structure that encourages healthcare providers to use this information in delivering care. Current payment structures must be realigned so that payments appropriately reflect the quality of care delivered and pay for value.

The growing problem of “cost shifting” must also be addressed. When uninsured patients receive uncompensated care, and when services to Medicare and Medicaid patients are paid at a level below the actual cost of providing care, costs are shifted to Americans who are currently insured. This results in higher premiums and, often, reductions in benefits, with the consequence of more individuals being pushed out of the insurance market.

#### ***a. Our healthcare payment system must be restructured to encourage care coordination, and to reward quality care and positive outcomes.***

There is currently a disconnect between the way we pay for healthcare services in this nation and our desire to achieve the best possible health outcomes for all Americans. The current system pays providers based upon the volume of services provided. There is no linkage between the patient’s ultimate health and the dollars paid to providers.

The growing problem of “cost shifting” must also be addressed.



Our healthcare payment structure, in both the public and private sectors, must be re-engineered so that payment levels are geared to reward the practice of evidence-based medicine, care coordination and the prevention of disease and serious illness. Furthermore, the system must support an empowered primary care workforce that is sufficient to meet growing demands.

Steps should include accelerating the implementation of models that establish standards and new models of payments to primary care providers who focus on prevention and chronic disease management. The federal government, working with input from stakeholders, should also support additional research and development of alternative proposals for payment. Such research should produce publicly reported results on lessons learned and offer recommendations for sustainability.

As well, healthcare payments in government programs should mirror prices for healthcare products and services negotiated in the private sector. In this way, payments will more accurately reflect actual value and will more swiftly embrace the rapid pace of healthcare innovation.

The goal of payment reform should be a system that pays for value in both the public and private sectors.

#### ***b. Address the nation’s liability crisis, creating an environment that encourages learning organizations and reduces the practice of defensive medicine.***

Healthcare providers must be free and able to collect and analyze data from patient treatments and share that information throughout the healthcare community. By learning from prior experiences, systems can be better engineered and patient care can be continually improved.

It is essential that Congress and the states enact meaningful healthcare tort reform. Better quality and more efficient care can be achieved through public policies addressing the nation’s flawed medical liability system. It would also be wise to link tort reform to healthcare quality improvements. Currently, billions of dollars are wasted each year, and patients are

forced to undergo unnecessary tests and procedures because of a medical liability system that encourages the practice of defensive medicine.

Today, medical advancement is undermined by a punitive environment that prevents errors from being openly discussed, analyzed and used to improve treatments and health systems. Our liability system must be reformed to accomplish the dual goals of protecting patients while also enabling system-wide quality improvements.

For too long, health reform in America has been stymied by political and ideological conflict. It is time for a new paradigm, one that recognizes the rapid pace of private-sector innovation that has characterized healthcare in this country and that also acknowledges the appropriate role of government in assisting low-income individuals and in helping to establish a level playing field upon which health plans, providers and products compete to serve patients and consumers.

Progress can no longer be delayed. Too many Americans are separated from the many benefits of modern medicine by a lack of health insurance. The cost of healthcare for all Americans is being driven upward by the uncompensated care being provided in hospitals, clinics and physicians' offices nationwide. Our global economic competitiveness is being adversely affected by these rising healthcare costs.

Working together, the United States healthcare industry and its elected leaders can bring about a new era in healthcare. It is time to begin this journey toward a better tomorrow.

## Value and Quality Lessons Learned from Transplants

In looking for ways to drive greater value in health spending, policymakers should look at what's happening with organ transplants in the United States.

By studying the performance, through one-year survival rates, of individual centers of excellence and group practice and then negotiating per-case rates for reimbursement, payers have offered surgeons strong incentives to take innovative steps to improve quality. Physicians are improving patient outcomes by better coordinating care, implementing best practices on long-term outpatient follow-up protocols and utilizing more powerful immunosuppressive pharmaceuticals.

As a result, the number of days spent in the hospital for transplants have significantly decreased, demonstrating the value of market-based competition and medical innovation in reducing costs and providing better patient outcomes.

## Healthcare Leadership Council Members

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