February 28, 2019

The Honorable Lamar Alexander
Chairman, Committee on Health, Education, Labor and Pensions
United States Senate
428 Senate Dirksen Office Building
Washington, DC 20510

RE: How To Lower American Health Care Costs

Dear Chairman Alexander,

ACHP appreciates the opportunity to respond to your request for specific legislative and regulatory proposals to lower health care costs and incentivize care that improves health outcomes.

The Alliance of Community Health Plans (ACHP) is a national leadership organization bringing together innovative health plans and provider groups that are among America's best at delivering affordable, high-quality coverage and care. The non-profit, provider-aligned health plans that are ACHP members provide coverage in all lines of business for more than 21 million Americans across 34 states and the District of Columbia. ACHP members offer five of the fourteen 5-star rated Medicare Advantage (MA) plans. Overall, 34 MA contracts offered by ACHP members received at least 4-stars in the 2018 star ratings.

In your December letter, you cite the wisdom of Dr. Brent James, a longtime friend of ACHP, noting that between 30 – 50% of all health care spending in the U.S. is "unnecessary." We share your dismay over this reality and welcome the chance to work with you to begin taking tangible steps today to reverse that trend and ensure that American consumers derive the highest value possible for their health care dollars.

Discouraging the use of specific low-value services must be part of the strategy to pay for high-value care. Savings from waste elimination are immediate and substantial, and the HHS Secretary has the authority under the Affordable Care Act, Section 4105, to forego payment of low-value services. We encourage you to use your powerful voice to persuade the secretary to take advantage of this authority, not only saving taxpayer dollars but reducing inappropriate care.

As you know, solving the "cost conundrum" articulated by Dr. Atul Gawande in his 2009 New Yorker article, will require a focus on why an increase in spending does not improve patient health. Every dollar spent in health care today is someone's paycheck or profit margin. The challenge, of course, is preserving the life-saving innovation that improves the health and productivity of the nation, while eliminating the waste, duplication and sadly, abuse, that drives up costs.

Ultimately, we believe the current fragmented, fee-for-service system of misaligned incentives must move to one that rewards actors focused on the right care at the right time in the right place for the right price. Coordinated care, mission-driven organizations, evidence-based interventions, transparency and real-time data lie at the heart of this quest.

Recognizing the myriad attempts to tackle health spending in the past, we suggest focusing on practical, bipartisan strategies that can be implemented immediately. Enactment of a limited set of reforms will be far more meaningful to American consumers and the federal budget than protracted debate over more complex and controversial notions that get sidelined.

We offer the following set of concrete solutions that will eliminate waste, save resources and improve outcomes:

Price Transparency

Prices, without information about quality, is not sufficient to enable purchasers to make informed decisions about health care services. ACHP member plans are proud to be leaders in delivering the highest quality health care to millions of Americans. In fact, ACHP members outperform their competitors in key categories, including being rated:

- ✓ 14.7 percent better at controlling high blood pressure
- ✓ 22.6 percent better at diabetes care blood sugar control
- ✓ 8.5 percent better at preventive screenings

We support price transparency efforts that compare data on price, quality (including readmission and complication rates) and utilization to help identify high-quality, cost-effective health providers. Going beyond price-only transparency will help inform patient choice, benefit design decisions, and clinical referrals.

Drug Pricing

For all of our ACHP member plans, the skyrocketing cost of prescription drugs is the number one reason for rising premiums. At several member plans, drugs now represent 25-30% of total spending.

To combat these high and increasing costs, ACHP encourages the immediate passage of the CREATES Act, which would end abuses by pharmaceutical companies designed to thwart generic drug competition. The CREATES Act would save the federal government an estimated $3.9 billion.

ACHP supports a requirement that drug manufacturers be more transparent about how their drug prices are developed, including the public disclosure of research and development costs, discounts and marketing. ACHP has supported bipartisan legislation such as the FAIR Drug Pricing Act that would ensure this much-needed oversight.

ACHP supports the Preserve Access to Affordable Generics and Biosimilars Act. This bipartisan bill would prohibit brand name drug companies from compensating generic drug or biosimilar manufacturers for delaying entry of competitor products into the market place, and thus keeping drug prices high.

There are good models to follow from several state drug pricing initiatives. Oregon passed a sweeping drug price transparency law (H.B. 4005, 2018) that requires manufacturers to report certain price or cost information, including the net percentage increase in the price of the drug from the previous calendar year, the factors that contributed to the price increase, and the direct costs incurred by the manufacturer to manufacture, market, distribute and research the ongoing safety and effectiveness of the drug. In addition, manufacturers must report the profit attributable to the prescription drug during the previous calendar year, as well as the introductory price when it was approved for marketing by the FDA and the net yearly increase in price of the drug for the previous five years.

Louisiana is the first state to create a new payment method for hepatitis C treatments. The state will pay a subscription fee to a drug company, an alternative payment arrangement that has become known as the "Netflix model," to obtain unlimited access to the drug, similar to how consumers pay a monthly fee to stream unlimited television shows and movies. This effectively stretches tax dollars to many more patients.

It is also important to prohibit bad actors from raising drug prices to unconscionable levels. In Maryland, when drug manufacturers raise prices without adequate explanation, manufacturers must lower the price to an earlier, lower level or compensate all Maryland purchasers and insurance companies that pay the "unconscionable" price for the drugs, or pay a civil penalty for each violation.

A Stable, Sustainable Individual Market

An integrated set of solutions is the best way to increase access to affordable high quality coverage and care for Americans who do not have health insurance through their employers or public programs. Accordingly, ACHP recommends the following complete stabilization package.

1. **Attract More Competition and Improve the Risk Pool**. Stabilizing the individual market requires more than one or two insurers in each region. ACHP recommends funding enrollment assistance for consumers, allowing states to auto-enroll individuals in plans, and expanding tax credits for eligible adults between the ages of 19-30.

2. **Establish a Federal Reinsurance Program.** Congress should establish a permanent and comprehensive reinsurance program (without a state match requirement) to ensure consumers have access to affordable coverage. This program should provide states with the flexibility to set attachment points that are appropriate for those regions.

3. **Streamline the 1332 Waiver Application Process**. ACHP recommends eliminating the need for states to enact legislation before submitting a waiver application, shortening the application review period, implementing a fast-tracking option, and extending waiver timelines to six years with unlimited renewal. These changes will provide states with the flexibility to develop stabilization efforts that best fit their needs.

4. **Appropriate Federal Funding.** To give states adequate flexibility to establish a program that works best for their region and encourage new entrants into the individual market, a federal appropriation for cost-sharing reduction (CSR) benefits to help lower-income individuals obtain affordable coverage is necessary.

5. **Study The Impact of Health Insurance Options.** In 2018, the administration paved the way for greater adoption of Association Health Plans and Short-Term Limited Duration plans. While these may offer coverage to some Americans, we urge policymakers to monitor carefully the real-world effects to ensure it has not opened the door to misleading consumers. It is important that short-term, limited duration plans are, in fact, short-term. ACHP member plans support these types of policies for up to 6 months because they are an important stop-gap for consumers changing jobs. It is critical that these plans provide real coverage and do not result in unexpected high costs and uncompensated health care. We would be happy to share with you product design elements that help consumers fill a gap. Given the uncertainty around product design, consumer choices and market effects, we recommend a relevant government agency track enrollment, pricing and coverage of these new offerings.

Medicare Advantage

Few, if any health programs today, can boast a higher value delivered than Medicare Advantage ("MA"). The MA program is gaining popularity among consumers and provides coverage to over 20 million seniors nationwide. MA plans outperform traditional fee for service Medicare on a range of cost, utilization and outcome measures, particularly when caring for beneficiaries with multiple chronic conditions. MA plans help patients coordinate their care such that compared to FFS beneficiaries, they have 23% fewer inpatient hospital stays, 33% fewer ER visits, and 29% lower rate of avoidable hospitalizations.

There are a number of ways to improve Medicare Advantage for beneficiaries:

1. **Special Supplemental Benefits for Chronically Ill (SSBCI).** ACHP strongly supports the additional flexibility provided under Bipartisan Budget Act of 2018, allowing MA plans to tailor benefits to meet the needs of complex or seriously ill enrollees. Allowing MA plans to incorporate the most innovative benefits allowable by law is critical for meeting the goals of the Quadruple Aim. Our members are actively exploring ways to use these flexibilities to target the social factors acting as barriers to improved health for members. CMS is proposing a restriction on the conditions that may be considered chronic conditions identified in Chapter 16b of the Medicare Managed Care Manual. We believe plan sponsors are closer to enrollees and can better identify the conditions and social factors that could be most positively impacted by flexible benefits. Greater flexibility to determine the conditions and benefits offering the greatest value to members will support innovation that better meets individual needs. In addition, more guidance is needed to understand whether supplemental benefits may include items such as transportation, affordable housing and home-delivered meals. Lack of clarity on these points has resulted in plan hesitation in building innovations into their benefit packages.
2. **Modernize Network Adequacy Measures.** In the recently released Medicaid and Children's Health Insurance Plan (CHIP) Managed Care Proposed Rule, CMS is proposing to eliminate time and distance standards to measure network adequacy, instead establishing quantitative minimum access standards for specified health care providers. This model could be replicated in Medicare Advantage. While MA already uses a set of qualitative standards to establish network adequacy, greater weight should be granted to measures

that recognize the increased access to care that telehealth provides. New measures may also take into consideration the availability of appointments and wait times, rather than time and distance. An exception process that aligns with contracting issues in urban v. non-urban areas would also be helpful.

3. **Restore Quality Payments.** In 2010, ACHP plans worked with Congress to incentivize better outcomes with "Quality Incentive Payments (QIPs)." In addition to motivating health plans to reward high quality care, QIPs directly benefit seniors – the law requires every QIP dollar be returned to beneficiaries in the form of reduced premiums or expanded services. Unfortunately, interpretation of the "benchmark cap" provision prevents high-quality MA plans with 4+ Star ratings from receiving full QIPs in many parts of the country. As a result, in 2018, 11.3 million seniors did not realize reduced premiums or increased services such as dental, hearing and vision and even $0 premiums. Overall, America's seniors lost out on $821 million in promised benefits and savings.

   Bipartisan legislation was introduced in 115th Congress to remedy this glitch. H.R. 908 is sponsored by Reps. Mike Kelly (R-PA) and Ron Kind (D-WI) and S.3497 is championed by Senators Steve Daines (R-MT) and Angus King (I-ME). We welcome your support of these measures.

   Alternatively, a legal opinion commissioned by ACHP concluded that the HHS Secretary has the authority to adjust the payment formula so that quality bonuses are separate from the benchmark cap. This administrative adjustment would immediately remedy the problem without requiring legislation. We respectfully ask your help in encouraging Secretary Azar to use that authority immediately.

We appreciate this opportunity to offer our ideas for making health care more affordable. ACHP looks forward to working with you on the practical, measurable, targeted set of changes outlined above. Enacting these proposals would result in immediate savings to millions of Americans and the federal government.

Sincerely,

Ceci Connolly

Ceci Connolly, President and CEO

cc: The Honorable Patty Murray