



## NAM Health Care Reform Principles

The cost of health coverage is one of the biggest challenges facing U.S. manufacturers today. It stands in the way of our ability to compete — sometimes even to survive — and acts as a disincentive to hiring new employees and establishing new jobs. However, rising health care costs are only part of the health care challenge facing U.S. manufacturers. Access, quality and value of health care services received from our \$1.9 trillion health care system are at best uneven.

Achieving affordable, quality health care coverage concerns our entire nation, not just U.S. manufacturing. Costs have spiraled out of control for employer and worker alike. Employer and consumer-friendly comparative information is largely not available, while inefficiencies and medical and administrative errors have impaired quality. Chronic illnesses such as heart disease, obesity and diabetes as well as frivolous medical lawsuits also contribute to our escalating health care costs.

Transformation of our health care system requires a multi-stakeholder collaboration. NAM members can help their companies, workers and our health care system by emphasizing key reforms in their health care negotiations. Our combined purchasing clout can help shape the market to be more responsive and consumer-friendly (by demanding more transparency through readily available comparative health cost and quality information, by encouraging implementation of process improvement initiatives and health information technology), to drive cost out of the current system, and help consumers access their personal health information and make better decisions about their health and health care purchases.

Tools such as predictive modeling can give employers an effective way to identify factors driving health care costs today and areas that are likely to incur future costs. These areas could benefit most from disease management and health promotion initiatives from wellness and prevention programs that support healthful lifestyle choices to individual case management focusing on the patient-provider relationship and an individualized plan of care.

Consumers must be active participants in their own health care by becoming more cost and quality conscious in their health purchasing decisions. They need improved access to personal health information to guide their decision making across multiple care settings and providers. The NAM supports greater consumer engagement and choice through both financial mechanisms (e.g. Health Savings Accounts [HSAs], Health Reimbursement Arrangements [HRAs], or Flexible Spending Accounts [FSAs]) as well as through disease prevention and management programs that measure progress and hold consumers accountable.

The transformation to improved health care - - greater access to quality care, more efficiently and at a lower cost - - requires public, private and individual initiatives. The NAM urges manufacturers and our suppliers and partners to demand the following market-oriented reforms from our health care system:

**Promote Process Improvement as a Pre-Cursor to Health IT:** Our health care system is not efficient by any manufacturer's standard. It is now well known that health care quality is suboptimal, errors are high, and costs are growing exponentially. Most of the current focus on improving quality has been centered on hospital care and improved clinical outcomes. While this is important, it does not address the root cause of the problem. Our health care industry lacks the fundamental internal management system that drives out waste, redundancy and

cost. Implementation of standard internal operating processes and procedures are currently not a high priority. While health IT holds much promise to refine the health system, the full return on investment will not be realized without streamlined internal processes. Manufacturers know well that processes must first be “leaned” and incorporated into the organizational culture in order to truly maximize efficiency and reduce operational costs. As manufacturers we are well positioned to assist the health care industry integrate these much needed process improvement techniques into their operations.

Health IT is about transforming health care from a disconnected and largely paper-based system to an electronically integrated network of patient care. The payoffs for advancing Health IT for both patient and provider include lower costs (Rand projects system-wide savings of \$162 billion per year), better quality (as many as 98,000 Americans die each year from preventable medical errors) and greater efficiency (almost half of all medical tests may unnecessarily duplicate other tests and may be conducted for legal rather than medical purposes).

The NAM believes that Health IT integration can be achieved far sooner by leveraging the dynamics of public-private partnerships. The manufacturing community can utilize its combined purchasing power and leadership to drive the development of health IT and assist in its implementation. Government can help support the development of standards, remove barriers to health IT implementation and utilize its role as a major purchaser of health care services to help drive the adoption of health IT. Individuals in Medicare, Medicaid as well as commercial insurance plans should have access to their personal health record to work with their families and providers to maintain or improve their health.

**Transparency and the Role of the Consumer:** Employers and consumers alike need ready access to information to compare health care plans and providers on the basis of both cost and quality of performance. Value-based purchasing (a.k.a. “pay for performance”) programs and other payment reforms will encourage the highest quality integrated care and can also help facilitate the reporting of information through financial incentives. Manufacturers can, and should, demand this information from health networks or individual providers.

Consumers have traditionally been underutilized in our health care system, leading to the over-utilization of health care resources. Consumers should be the cornerstone of health benefit designs that reflect personal choice and responsibility as they have a lead role in creating value based healthcare. Improving access to information, such as personal health records will aid consumers in making informed choices.

**Innovation and Cost Containment Measures:** NAM members have long been at the forefront of innovation and creativity. We have realized the benefits of thinking “outside the box”. Now is the time to demand that policy makers protect what is currently working in our health care system and look “outside the box” to address what is not working.

More than 160 million Americans have health, retirement, and other valuable benefits through their employer. As employers, manufacturers voluntarily offer these benefits under the framework established by the Employee Retirement Income Security Act (ERISA) which allows employers to maintain uniform benefit plans to meet the needs of employees on a nationwide basis. In order for employers to continue offering high-quality health benefits to their employees, and not be subjected to a costly patchwork of state-level regulations, the ERISA framework must be protected.

Chronic diseases, such as diabetes, asthma, heart disease, and cancer affect the quality of life for 133 million Americans and are responsible for seven out of every 10 deaths in the U.S. – killing more than 1.7 million Americans every year. They are also the primary driver of health care costs – accounting for more than 75 cents of every dollar we spend on health care in this country. Studies show that treatment over prevention often leads to extremely expensive

claims. That being said, multiple collaborative strategies are required to manage chronic diseases and reduce high health costs. In an effort to reduce costs associated with chronic conditions, a total health management approach should be pursued that combines preventative services, disease and case management, better assessment of the health risks of our employees and incentives for employees to achieve better health outcomes.

The current structure of the U.S. tax code creates a significant tax advantage for individuals with employer-sponsored coverage by permitting them to exempt the total value of the benefit from their taxable income. Unfortunately, individuals who must buy their own health insurance do not enjoy this tax benefit. We believe that leveling the tax playing field between the individual and group health insurance markets will encourage fairness and equity as well as provide greater access to those currently without health insurance.

Unlike their larger counterparts, many small manufacturers do not enjoy the benefits of greater bargaining power with their health insurance carriers. The NAM advocates greater bargaining power for small business to make health insurance more affordable through reduced premiums. Some studies indicate that aggregate health insurance premiums could be reduced for small employers by 12 percent nationwide through small-business health plans. These plans will also reduce the burden of administrative costs for small employers.

Finally, flexible financial benefit designs such as HSAs, HRAs and FSAs offer consumers the ability to manage their health expenses while improving access to affordable private health coverage. The NAM supports these designs and encourages improvements to enhance flexibility and provide incentives for prevention, wellness and treatment adherence.