August 23, 2006

Citizens Health Care Working Group
Suite 575
7201 Wisconsin Avenue
Bethesda, MD 20814

Dear Citizens Health Care Working Group (CHCWG):

The ERISA Industry Committee (ERIC), the trade association committed to the advancement of employee retirement, health, and compensation plans of America's largest employers, applauds the efforts of CHCWG in reaching out to a broad swath of Americans, both healthcare consumers and providers, purchasers and insurers, in order to determine the optimal way to reform America’s healthcare system. And ERIC agrees that the system is badly in need of reform.

Major employers purchase healthcare to cover tens of millions of American employees and their families, and have serious concerns about the state of healthcare in the United States. The need for reform in the healthcare market is great, but reforms must be tempered with caution; well-intentioned changes to the system have a real possibility of further compounding the problem, increasing the already more than 40 million Americans who lack insurance.

ERIC fundamentally agrees with the majority of comments presented to the CHCWG by Comptroller General David Walker. The problems of today’s healthcare system must be addressed through a lens of realism, not idealism, and must take into account the benefits inherent in our current system. Some of the recommendations included in the CHCWG interim recommendations may warrant reconsideration, or require increased detail and explanation:

- “It should be public policy that all Americans have affordable health care.” CHCWG must be more precise in differentiating between health care and health insurance – current public policy already provides health care to those who walk into an emergency room, as well as health insurance for seniors, low-income individuals, veterans, military personnel, federal employees, children and single mothers, etc. It is this public policy that is bankrupting states, as well as consuming an ever-larger and unsustainable portion of the United States’ Gross Domestic Product. How would this recommendation affect our global competitiveness? A realistic discussion of financing must be a part of any such
reform proposal – and it must be honest in assessing the amount of the costs that would have to come from taxpayers, and from employees’ salaries via taxes on their employers. Will making said healthcare “affordable” necessitate instigating price controls and care rationing?

- “Assuring health care is a shared social responsibility.” The CHCWG must clarify the meaning of this statement – what exactly does a “shared social responsibility” entail, and who are considered parties to this responsibility? Too often in the past, phrases such as these have been used to refer only to the upper income brackets and corporate America – while ignoring the fact that all American workers are paying through taxes on their employers, and many are double-taxed for the same government expenses. How will this shared responsibility affect hospitals, providers and insurers? Would this fundamental departure from the current system of employers offering voluntary benefits be compatible with the American identity?

ERIC supports initiatives to create catastrophic coverage pools and implement quality initiatives, as well as broad adoption of health information technology systems and community health networks. The business community has been avidly working with federal, state, and local governments to advance these reforms, and applauds the CHCWG’s recommendation for highlighting their necessity. However, several important steps towards a more functional, safer, more affordable healthcare system were not mentioned in the recommendations:

- **Consumerism:** One of primary problem (which leads to the unsustainable costs and lack of access) in the healthcare system is the separation of consumers from payers, which gives the impression that once insurance is purchased, healthcare is “free.” This decreases the prevalence of cost-cutting (and life-saving) preventative care, while simultaneously encouraging over-use and unnecessary testing and care. The current employer-based system, in concert with the federal government, is moving to a consumerist model that will connect employees with the real cost of their care, and demonstrate to them how much employers are really contributing towards their benefits costs. Would the system CHCWG is advocating backpedal from this innovation, instead turning to a taxpayer-funded “free healthcare” model?

- **Liability Reform:** Another problem is the prevalence of frivolous lawsuits plaguing care providers. The litigation lottery has lead to an increase in costs, a decrease in access, and a serious safety issue: the practice of defensive medicine. Patients may not be getting the highest quality care due to providers’ risk of litigation, while many providers are being driven from their specialties (like OBGYNs) due to excessively high costs for malpractice insurance – costs that otherwise filter down to patients. Any new system would have to address the issue of substantive medical tort reform before realistically claiming to be affordable.
• **Value-Based Purchasing:** The current system rewards providers based on the volume of care they provide – not the value or efficiency of that care. Critics say that America’s healthcare system is “sick care,” not healthcare. This makes it more profitable for a provider to run extraneous tests and provide less efficient care – especially less preventative care. Any reform must include a fundamental transformation of this compensation system, one that rewards providers for healing their patients and keeping them well, one that leads to improved quality and efficiency: a healthier America.

The US healthcare system is in dire need of reforms, and some of those reforms were laid out in the CHCWG’s recommendations. However, there are a number of other measures that must be included in any comprehensive overhaul of the healthcare system. It is essential that the positive aspects of America’s system be preserved – rather than throw the baby out with the bathwater, we should improve upon the benefits of the current system. There is a reason that when foreigners need the best quality care, they fly to the United States, rather than the many countries with single-payer systems.

ERIC would be happy to continue a dialogue with the CHCWG, and encourages you to contact us if you would like to talk further or discuss these comments. Thank you for your hard work, open-mindedness, and dedication to the task at hand: making healthcare more affordable, accessible, and better for all Americans.

Sincerely,

[Signed]

Edwina Rogers
Vice President, Health Policy