Testimony of Cheryl DeMars
President and CEO, The Alliance®
Before the United States Senate Committee on Finance Hearing on
"Chronic Illness: Addressing Patients' Unmet Needs"

Thank you Chairman Wyden, Ranking Member Hatch and distinguished members of the Senate Finance Committee for the opportunity to speak with you today. I am Cheryl DeMars, President and CEO of The Alliance, a not-for-profit cooperative owned by over 200 employers that use self-funding to provide health benefits to more than 90,000 employees and their family members in Wisconsin, Illinois and Iowa.

Alliance employers are working to improve health and health care delivery through transparent data that is both comparable and actionable. This data is the linchpin to designing plans that influence care for chronic conditions. Employers have come together through coalitions like The Alliance across the nation, seeking to use their purchasing power to shift the market toward higher value at all levels of the health care system. The Alliance's latest effort, called *QualityPath*™, aims to shift patients to higher-quality care for high-stakes procedures.

Employers are committed to transforming health care because we understand our business results are closely linked to the health of our work force. We know that employers, in their role as major purchasers of health care, can be catalysts for innovation and improvement. And we know the impact of these efforts is magnified many times when we work in partnership with public sector purchasers like state and federal governments. Our success in these efforts is determined by our access to data that can be used to compare cost and quality, coupled with the flexibility to implement innovative workplace and market-based programs.

The Employer's Role in Prevention & Early Detection

Preventing avoidable chronic illness makes business sense for employers. According to the CDC[i], 75 percent of our nation's health care dollars go to treat chronic disease. Yet financial cost is only one measure of the burden of chronic disease on businesses.

Trek Bicycle Corporation in Waterloo, Wis., re-doubled efforts to promote wellness and prevention when a long-time employee died in his sleep of undiagnosed heart disease in 2007. He was 41 years old and left behind a wife, two young daughters and many friends within Trek's close-knit workforce. Today, Trek gives its 850 employees access to a state-of-the-art wellness center and a network of trails for biking and hiking. The company reduces benefit plan premiums for employees who pursue fitness while remaining tobacco-free.

Many employers offer health risk appraisals that include blood tests for chronic conditions. Our employers say these worksite screenings often reveal previously undiagnosed conditions such as diabetes and hypertension. Colony Brands, a catalog and internet company in Monroe, Wis., encourages health risk appraisals by waiving one month's insurance premium for participating employees. Sharing test results with clinicians at Colony's onsite clinic earns another month's

premium. Webcrafters, a Madison-based book manufacturer and founding member of The Alliance, has offered health risk appraisals to employees since 1996. In 2004, Webcrafters linked participation to a $50 cash reward and a chance to win a free year of health insurance, which increased participation from 20 percent to 74 percent. Participation jumped to 96 percent when Webcrafters offered a monthly premium reduction of $20 for individual insurance or $40 for family coverage.

The Employer's Role in Managing Chronic Conditions & Sharing Information

Once a chronic illness is identified, employers have a number of tools to help employees manage their condition, including value-based insurance designs, worksite clinics and information to compare the quality and cost of services.

Flambeau Inc., a plastics manufacturer in Baraboo, Wis., waives its health plan deductible and co-insurance for screening tests for patients with diabetes or cardiovascular diseases. The use of primary care is encouraged with nominal $20 co-pays for patients visiting primary care physician offices, nurses or diabetic educators. The same policy applies to patients with diabetes or cardiovascular disease referred to a specialist by Flambeau's onsite clinic.

There is tremendous variation in the cost of caring for chronic illnesses as well as other health services, as established by the Dartmouth Atlas Project. The Alliance helps our members compare the cost of tests and procedures across our provider network. Employers encourage their employees to use this information to make cost-effective decisions. Foremost Farms USA, a milk processing and marketing cooperative in Baraboo, Wis., offers financial incentives to employees who research the cost of care and choose lower-cost providers. Seats Incorporated, a vehicle seating manufacturer in Reedsburg, Wis., shares information about the quality and cost of care through its gain-sharing program. Health savings are shared with employees to reinforce the value of joint efforts by employers and employees.

The Employer's Role in Driving System Improvement

Employers, working together, have an opportunity and obligation to use our role as health care purchasers to create a market that recognizes and rewards better value care. Data reveals that there is well-documented room for improvement in the management of chronic conditions, even in Wisconsin, a state that typically scores well on the AHRQ National Healthcare Quality Report.[ii] For example, less than half of Wisconsin's diabetic patients are achieving optimal management[iii] based on data from the Wisconsin Collaborative for Healthcare Quality, a voluntary consortium of Wisconsin providers and insurers. The Alliance is working to accelerate the pace of improvement by aligning financial incentives in our contracts with doctors and hospitals. We use WCHQ measures of management for diabetes, ischemic vascular disease and hypertension to influence physician reimbursement. Delivery systems and physician groups under contract with The Alliance can earn up to 3 percent more for effective management of these chronic conditions.

Moving Market Share to High Value Providers

Despite these programs, progress to improve quality and control costs is too modest and too slow. That spurred The Alliance to develop the *QualityPath* initiative to overcome common barriers to improvement, including gaps in information and misaligned or non-existent financial incentives for providers and consumers. We are developing *QualityPath* in partnership with the Business Health Care Group, a sister coalition serving southeastern Wisconsin.

Beginning January 1, 2015, *QualityPath* will move market share to doctors and hospitals who offer high-quality, fairly-priced health care for high-stakes procedures. We are starting with cardiology and orthopedics because that's where our members spend the most money. *QualityPath* has six key elements.

First, *QualityPath* evaluates individual doctor-and-hospital pairings. Consumers want – and deserve – information about the performance of doctors, yet physician-specific public reporting remains elusive. We will advance this by requiring disclosure of physician-specific information.

Second, *QualityPath* uses nationally recognized outcome measures, many of which are used by CMS. Others are based on the work of physician specialty groups. One insight gained from our *QualityPath* work was that even doctors have difficulty finding out how they compare with peers on outcome measures. For many doctors, the *QualityPath* review process offers the first opportunity to see their own performance data.

Third, *QualityPath* requires doctors and hospitals to adopt three important clinical processes that help ensure care is appropriate and patient-centered. The first process is decision support for high-tech diagnostic imaging, which will help reduce the well-documented overuse of radiology procedures that increase costs while exposing patients to potential harm. Decision support systems are implemented at the site of care to provide real-time feedback to help physicians determine whether an imaging test is needed and the most appropriate test to use. The second, shared decision-making, will give patients a voice in deciding the course of their care when there are multiple, credible treatment alternatives. Finally, advanced care planning will help patients and clinicians discuss, document and share patients' wishes for end-of-life care.

Fourth, *QualityPath* requires the facility and the physician to disclose any conflicts of interest. Policies must either forbid or disclose direct and indirect industry payments to patients.

Fifth, *QualityPath* focuses first on quality and then on cost. Physicians and hospitals that meet quality criteria will be publicly recognized. Then, physicians and hospitals that meet quality criteria can be designated as *QualityPath* providers by agreeing to lower prices in contracts that include provisions for bundled payments and performance guarantees.

Sixth, participating employers will provide incentives for consumers to use *QualityPath* providers. We expect incentives to range from lower out-of-pocket costs to cash rewards, depending on each employer's preferences and plan design.

QualityPath is a collaborative program developed with input and guidance from other purchasers, clinicians and professional and specialty societies. Specifically, we built upon initiatives developed by the Wisconsin Department of Medicaid, Wisconsin Employee Trust Funds, Wisconsin Medical Society and the American College of Cardiology's SMARTCare initiative.

What Employers Need from Public Policymakers

Employers need support from public policymakers to continue to use their purchasing power to improve the health of employees. Employers want to help employees avoid chronic illnesses, when possible, and they want to help them manage chronic illnesses when they occur. When employees need high-stakes care, employers want to help them get high-quality care that improves health outcomes through programs like *QualityPath*. Employers would eagerly welcome the participation of public-sector employees in these initiatives to increase their impact on the marketplace.

Access to data is a common element in all these efforts, but access to data varies significantly from state to state. For example, health data that is available for Wisconsin is lacking in Illinois and Iowa. Since Medicare accounts for more than 20 percent of health care spending, everyone would benefit from greater access to Medicare's broad data. Medicare's Qualified Entity program was designed to share Medicare data with state-level organizations, yet it severely limits how organizations can use this data. We urge you to "free" the data through efforts like the Quality Data, Quality Care Act (S. 1758), which would allow broader use of Medicare data by providers, payers and consumers.

Employers also need clear guidance related to rules and regulations that impact employer-sponsored health benefits. Finally, they need the flexibility to innovate to help more employees make the most of their employer-sponsored health care. Data-driven innovation holds great promise for improving the value and quality of our health care system. Thank you for letting us share employers' efforts to help make that happen.

---

[i] http://www.cdc.gov/chronicdisease/

[ii] http://nhqrnet.ahrq.gov/inhqrdr/Wisconsin/snapshot/summary/All_Measures/All_Topics

[iii] http://www.wchq.org/reporting/results.php?healthsystem_id=&city_county=&zipcode=&distance=&site_level_flag=0&category_id=0&topic_id=27&providerType=0&region=0&measure_id=101&sequence_id=5&sort=1