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February 25, 2021

The Honorable Charles Schumer
Majority Leader
U. S. Senate
322 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
U. S. Senate
317 Hart Senate Office Building
Washington, D.C. 20510

Dear Majority Leader Schumer and Minority Leader McConnell:

On behalf of the members of the Public Sector HealthCare Roundtable (the Roundtable) and the public sector employees, retirees, and their dependents they serve, we write today to commend you for your tireless bipartisan legislative efforts to address the health and economic impact of the COVID-19 pandemic in the United States. The deleterious consequences of the COVID-19 crisis will no doubt continue for months – if not years – and your efforts have been critical in bringing relief to providers, patients and the American people. In addition to this work, we believe more measures must be taken to protect public sector workers and their families as we recover from this crisis.

The Roundtable is a non-profit, non-partisan coalition of public sector health care purchasers from across the U.S. including states, counties, and municipalities working together to bring a voice to the tens of millions of public sector employees, retirees, and their dependents. Over 15 percent of the American workforce is employed by public sector entities, and collectively they spend over \$50 billion annually on health care benefits which serve as a critical component of state compensation programs.¹

Overall, we urge Congress to consider 1) fiscally responsible support to states and individuals to ensure a swift and equitable recovery from the COVID-19 pandemic and 2) an increased focus on longer-term structural reforms to make health care more affordable for all. With appropriate guardrails against waste and abuse, these measures will ensure a speedy and equitable recovery from this current crisis and better prepare our health system for future events.

We recommend the following policies to support public sector workers, retirees, and their dependents in response to the COVID-19 national emergency:

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¹ "State Health Care Spending: Key Findings." Pew Charitable Trusts & Foundation, 2016. Accessed 4 February 2019. <https://www.pewtrusts.org/~media/assets/2016/05/state-health-care-spending.pdf>. Updated with health care spending trends as reported at <https://www.healthsystemtracker.org/chart-collection/much-health-spending-expected-grow/#item-annual-change-in-per-capita-health-spending-2000-2018-projected-2019-2027>

INVEST IN VACCINE ROLLOUT AND PROTECT HEALTH CARE COVERAGE

1. **Invest in State and Local Vaccine Distribution.** Swift and appropriate funding to states to distribute vaccinations will ensure that small businesses and public services alike can return to serve their communities. The coronavirus crisis will cost the United States upwards of \$16 Trillion due to lost wages, lost life, and long-term health damage.² Now that the FDA has approved several vaccines with strong efficacy, reasonable federal investment to boost vaccine distribution would be a cost-effective step towards an equitable and speedy recovery.
2. **Protect High-Quality Health Care During the Pandemic.** In the first few months of the pandemic, some 22 million jobs were lost.³ Accordingly, millions lost their access to employer-sponsored insurance. As of January 2021, the unemployment rate was still higher than pre-pandemic levels, especially for lower-wage workers, women, and minorities. People without health insurance are more likely to delay necessary care, even COVID-19 testing and treatment, which should be provided without cost-sharing. People with chronic conditions are especially vulnerable to adverse consequences of being uninsured. It is essential that continuity of quality coverage be maintained for all Americans and especially those who may not see their jobs return, in order to protect public health and prevent cost-shifting to others such as public sector purchasers.

We recommend Congress include the following policies in the next legislative package to provide immediate relief from the pandemic's impact on job loss and subsequent loss of employer-based coverage:

- a) **Expand Affordable Coverage Opportunities.** Congress should create a premium cap such that no American spends more than 8.5% of their income on commercial health insurance. The change would remove the Affordable Care Act's 400% FPL limit on subsidies. The cap creates penalties for families and individuals who earn above the FPL limit and a disincentive to purchase adequate coverage. Such a reform would build on the Biden Administration's decision to open a Special Enrollment period on February 15, 2021, ensuring more Americans have access to affordable coverage during the pandemic.
- b) **Establish COBRA Subsidies through the Public Health Emergency.** Congress should create subsidies for COBRA coverage during the Public Health Emergency. COBRA allows workers who recently lost their job to remain on their employer's health insurance plan. However, most families will have to pay their full premium without employer support – which can be cost prohibitive.

² <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7604733/>

³ <https://www.marketwatch.com/story/restaurants-and-retailers-have-regained-the-most-jobs-since-the-coronavirus-crisis-but-theres-a-catch-2020-08-07>

- c) **Extend Medicare Site of Care Flexibilities Permanently.** Currently, CMS will reimburse for an expanded scope of services via audio-visual devices, including limited audio-only services, as if in person. We ask that Congress direct the Secretary of Health and Human Services to extend these flexibilities beyond the public health emergency, including the ability for practitioners to receive reimbursement for audio-only services (i.e., phone calls). In addition to telehealth, CMS has expanded hospital at home and home health care programs, to keep vulnerable patients outside of dangerous sites of care. With reasonable guard rails to prevent waste and abuse, these reforms will help ensure continued access to care for older adult in the clinical setting determined by an individual's physician to be the most appropriate.

ADDRESS KEY DRIVERS OF LONG-TERM HEALTH CARE SPENDING GROWTH

Congress should also take steps to address key drivers of long-term health care cost growth. The COVID-19 pandemic has exacerbated systemic challenges in the health care system, putting a significant burden on public sector employees, retirees, and their dependents. The long-term health and spending consequences of the pandemic are still unfolding. Studies show that people with chronic conditions have been foregoing necessary care, which could lead to ballooning costs in the near future.⁴ Further, use of long-term care and home and community-based services will be needed to help those who contract the virus recover.

High prices for drugs and hospital services create unsustainable federal spending, squeeze family budgets, and hinder our ability to respond adequately to disasters like COVID-19. As we recover from the pandemic, we recommend Congress quickly address these long-term drivers of health inequities and unaffordable health care.

1. **Pass Critical, Bipartisan Legislation to Lowering Prescription Drug Costs.** The rapidly increasing cost of prescription drugs in the U.S. threatens our members' ability to ensure high-quality benefits at an affordable cost for public sector workers and their families. The cost of specialty medications is particularly problematic for our plan members. In 2016, spending on traditional drugs averaged 2.4%, while specialty drugs averaged 17.1% and the three-year average exceeded 24% in spending. Notably, Willis Towers Watson estimates that when projecting cost increases through 2020, the specialty drug spend will exceed what employers will pay for inpatient hospitalizations.⁵

⁴ <https://www.urban.org/research/publication/delayed-and-forgone-health-care-nonelderly-adults-during-covid-19-pandemic>

⁵ "Assessing the Unsustainable Cost of Specialty Medications: A Survey of Public Sector Health Plans." Willis Towers Watson on behalf of the Public Sector HealthCare Roundtable. 12 June 2018. https://www.healthcareroundtable.org/wp-content/uploads/2018/06/2018_roundtable_specialty_survey_position_paper_final.pdf.

Therefore, we strongly urge Congress to address the continued skyrocketing costs of brand prescription drugs in the U.S. by passing legislation which would:

- a) **Allow Medicare to Negotiate Drug Prices.** Like purchasers in the commercial sector would, Medicare should be allowed to use its purchasing power to negotiate lower prices for high cost, brand drugs, such as specialty drugs, and levy substantial penalties on manufacturers for not giving commercial payers the same or similar prices (to avoid cost-shifting).
- b) **Impose Inflation Rebates on Part B Drugs.** Manufacturers have levied substantial and unjustified year-over-year price increases, even during the pandemic.⁶ We should be investing in true biopharmaceutical innovation instead of spending increasing amounts of public and private money on decades-old, lifesaving drugs like insulin.
- c) **Reduce Anti-Competitive Behavior.** The growing number of specialty drugs and gene therapies account for a small number of prescriptions but an increasingly large share of spending. Congress should address anti-competitive behavior among the pharmaceutical industry to block or delay the entry of lower-cost generic drugs and biosimilars, including patent thickets and pay-for-delay tactics.

Importantly, legislation to address drug prices should avoid unintended consequences that would negatively impact public sector employees, retirees, and their dependents. For example, Medicare Part D should be modernized and include a cap on cost-sharing. However, Medicare Part D subsidies should not be restructured at the expense of increased premium costs for millions of public sector retirees in Medicare Part D Employer Group Waiver Plans.

2. **Address High Hospital Prices.** Among the privately insured, hospital costs account for 44% of health care spending and explain virtually all of the increases in spending in recent years.⁷ Further, hospital-based prices grew substantially faster than physician prices (not in the hospital) in the last two decades, indicating that hospitals contribute substantially to the above-inflation growth of health care spending.⁸ High hospital prices are largely a function of hospital mergers and consolidated market power. Public sector employers at the state level have taken action such as cutting high-priced hospitals from their networks, steering patients and providers to cost-effective referrals, tackling anti-competitive behavior, and introducing reference pricing. Federal lawmakers should consider similar tactics to create a more sustainable health care system and contain health care cost growth.
3. **Accelerate the Movement from “Volume to Value” in Health Care.** Public sector employers have led the way for decades on risk-based contracts and

⁶ <https://www.aarp.org/politics-society/advocacy/info-2020/covid-drug-prices-increase.html>

⁷ <https://www.milbank.org/publications/californias-sutter-health-settlement-what-states-can-learn-about-protecting-residents-from-the-effects-of-health-care-provider-consolidation/>

⁸ <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2018.05424>

value-based purchasing, that pushes for higher quality and lower costs in health care. However, there is still a long way to go. Continuing this transition will drive improvements in population health that will ultimately reduce total cost of care. Paying for value is critical to modernize the health system. We know that value-based care is also crucial to emergency preparedness – providers in capitated and value-based models were better equipped to adapt to COVID-19 and more likely to invest in new technology, like telehealth. In the pursuit of a high value health care system, Congress should continue to support the Center for Medicare and Medicaid Innovation and use lessons from the models and pilots conducted through the Innovation Center to drive future policy in Medicare and Medicaid.

Thank you for your consideration of these recommendations during this extraordinary national crisis. The members of the Public Sector HealthCare Roundtable look forward to working closely with you to pass legislation to bring necessary relief to millions of public sector workers, retirees, and their families, and to the American people writ large.

Sincerely,

A handwritten signature in black ink, reading "Thomas R. Lussier". The signature is fluid and cursive, with a long horizontal stroke at the end.

THOMAS R. LUSSIER
Administrator

cc: Roundtable Members