

Make Health Care More Affordable

Health care spending in the United States will total over \$3.5 trillion in 2017 – more than any other country in the World – exceeding \$10,000 per person on average. Yet, approximately 28 million individuals remain uninsured, because for half of them health care coverage is unaffordable.

Health care costs for families have doubled in the last decade. However, paying more for unnecessary health care has failed to yield better outcomes and resulted in \$300 to \$400 billion in wasteful and avoidable spending. Specifically:

- Total health care spending is expected to rise to \$5.5 trillion, one fifth of the U.S. economy, by 2025.
- Prescription drugs account for 17% of total health care services spending.
- The average price of brand-name drugs rose 11% in 2016, up 208% since 2008.
- Drug spending is expected to rise 84% and hospital spending is expected to increase 71% between 2015 and 2025.
- Spending on hospital services increased by 5.6% in 2015 and surpassed \$1 trillion for the first time.
- \$500 billion in ACA taxes over 10 years have increased costs for States, employers, and consumers, including Medicare Advantage beneficiaries.
- The Health Insurance Tax is currently being priced into policies carrying into 2018 and will increase 27% from 2016 levels.

In previous years, health care reform efforts have focused primarily on expanding coverage, and the affordability and sustainability of some existing and new coverage options have been significantly challenged.

Paying providers and manufacturers differently and enabling consumers to make better health care choices represent meaningful and impactful solutions to achieving health care affordability, improved health, and higher quality care. Leveraging private-sector tools, such as Pharmacy Benefits Managers (PBMs) – which save \$45 of every \$100 spent by directly negotiating with manufacturers – can lower costs by catalyzing payment reforms.

By reforming existing laws and enacting new policies – to minimize inefficiency, enhance the consumer experience, better leverage innovations, lower administrative costs and eliminate the need for reliance on harmful health care taxes, which only make health care more unaffordable – the following solutions will make the health care system more affordable, accessible, and effective for all Americans.

Transition to Value-Based Pricing and Payments

Employing value-based pricing to pay manufacturers and providers based on the clinical quality and cost-effectiveness of their products and services will drive the innovations, enhancements, and competition in health care to achieve better outcomes at lower costs. Specific solutions include:

- **Implementing value-based pricing for drugs and devices**, over a defined multi-year period, based on their quality, outcomes, and affordability relative to existing products, to limit excessive price increases.
- **Using Pharmacy Benefits Managers (PBMs) more widely** in government programs, such as Medicaid, to lower drug costs on behalf of consumers. PBMs saved seniors and the Federal government \$24 billion in Medicare Part D in 2015.
- **Prioritizing FDA reviews of branded and generic drugs when fewer than three drugs are available** for a particular condition, to accelerate the availability of more drugs to stimulate price competition.
- **Strengthening anti-trust laws** to make pay-for-delay settlements unlawful, thereby ensuring timely market entry of generic drugs to drive prices down through competition.
- **Adopting new payment models including risk-sharing and performance-based contracts** that reward providers for delivering measurable, accountable, high-value health care, and prioritizing prevention over treatment.
- **Expanding the scope and use of bundled payments** to include the costs of all drugs, devices, and sites of care involved in a medical event, to drive more coordinated, evidence-based care that improves outcomes and lowers costs.
- **Setting payments based on service**, independent of the provider or health care setting, to reduce unwarranted use of higher-cost settings and specialized providers.
- **Encouraging States to develop and enforce standards** for freestanding emergency departments, dialysis centers, and substance abuse clinics to protect consumers and prevent abuse.
- **Prohibiting the use of Most Favored Nation clauses** between providers and insurers that stifle competition and limit affordable options for consumers.

Enable and Incentivize Consumer-Directed Health Care

Empowering consumers to seek high-value health care requires providing them with easy and accessible information as well as incentives to make well-informed decisions. Specific solutions include:

- Requiring payers, manufacturers, and providers to **share data with consumers on the quality and price of health care products and services** to help individuals make well-informed choices.
- **Accelerating the development of robust price and quality transparency tools** by ensuring the U.S. Department of Health and Human Services classifies these tools as quality improvements, not administrative costs, to drive responsible use of the system by consumers.
- **Disallowing out-of-network charges and balance billing to consumers** by out-of-network providers for individuals who seek health care at in-network facilities.
- **Expanding incentives** – such as lower cost-sharing, tiered network designs, and benefit enhancements – to reward consumers for seeking health care from high-quality, cost-efficient providers.
- **Expanding access to, and adoption of, Health Savings Accounts (HSAs)** by permitting their use with any type of plan and allowing individuals and employers to fund HSAs up to the plan's maximum out-of-pocket expenditure, to encourage savings.
- **Allowing ERISA-like flexibility for all employers to tailor employee incentives and wellness programs** to provide opportunities for better outcomes and to reduce out-of-pocket health care expenses.

Enhance Health Care System Productivity and Eliminate Harmful Taxes

The U.S. health care system suffers from administrative complexity and inefficiencies, resulting from harmful taxes, outdated laws and regulations, and barriers to leveraging innovation. Revisiting and reforming existing laws and advancing initiatives to enhance health system productivity include:

- **Repealing the Health Insurance Tax** – and other Affordable Care Act taxes – which is currently being priced into policies carrying into 2018 and will increase 27% from 2016 levels.
- **Accelerating interoperability and meaningful enforcement actions that mitigate data-blocking** – especially onerous, anti-competitive business practices and contract terms – to unlock siloed data, enable broad-based data sharing, close gaps in care, and advance analytics.
- **Adopting a single, standardized set of provider performance measures** that support value-based payments and are electronically captured, clinically relevant, understandable to consumers, and useful for quality improvement.
- **Driving adoption of telemedicine** by authorizing Medicare and Medicaid payments for these services across all sites of care, to enable timely health care at lower costs.
- **Incorporating drug formularies and evidence-based treatment protocols** into electronic medical records to promote adherence to cost-effective, clinical best practices.

At UnitedHealth Group, we help solve the world's health care challenges and improve health care for all – care recipients, providers and payers alike. This is achieved through two distinct business platforms: UnitedHealthcare, a health care benefits company, and Optum, a health services and innovation company. Collectively, these distinct yet connected capabilities allow us to improve access to care, achieve higher quality care, reduce costs, increase transparency, and ultimately produce superior health outcomes. This commitment to innovation and momentum for change inspire the women and men of UnitedHealth Group to continuously help people live healthier lives and make the health system work better for all.

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