King County

Testimony for Senate Committee on Health, Education, Labor and Pensions Hearing
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Reducing Health Care Costs: Improving Affordability Through Innovation

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Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for the opportunity to testify before you regarding innovation and the affordability of health care. It is an honor to be invited to participate in today's discussion.

My name is Dow Constantine. I currently serve as the nonpartisan King County Executive in the state of Washington, an office I have held since November 2009. I previously served as a member of the state Legislature, and of the Metropolitan King County Council.

King County is home to 2.2 million residents, and the County employs a workforce of approximately 15,000 employees to provide our region with such services as parks, public transit, corrections, courts and legal services, human services, elections, wastewater treatment, property tax services, records, and public health, among others. We are also the local government for our unincorporated communities, providing animal control, land use regulation, police protection, and roads services. Approximately 80 percent of our employees are represented by labor unions.

Commitment to a culture of health

King County has long recognized that good health is a fundamental underpinning of our region's prosperity. We contribute to better community and individual health through many roles: we serve as the local public health jurisdiction, responsible for promoting and protecting the health of our residents; we lead the community mental health and substance abuse systems; and we address social determinants of health through our innovative work in such areas as housing, early childhood, transportation, economic development, and the promotion of equity and social justice. As the thirteenth largest employer in the state, King County's other key role in health is the support we provide to advance the physical, mental, social, and financial health of our workforce. We purchase health care services for employees and their families, foster a safe working environment, provide workplace health and wellness programs, take action to reduce harmful levels of work and life stress, and actively address racial, ethnic, and gender inequities.

One of the greatest challenges we face as an employer is the high and rising cost of health care: we currently spend about $235 million per year. The high costs of health care not only take away from other investments we could make in our workforce in the form of wages and other benefits, it impedes our ability to invest in other regional priorities. Like most employers, King County

continually seeks to balance the provision of a competitive benefits package to attract and retain employees, with the need to manage rising costs and get the most value from every tax dollar. These conditions have led us to become champions of Triple Aim[1] approaches—both for our own employees and for the region as a whole—through which we strive to improve the patient experience of care, improve the health of the population, and reduce per capita health care costs.

My testimony today shares highlights of how the County's innovative work and partnerships have evolved over the past 15 years and what we have learned, and calls attention to how Congress could best help us continue to innovate and be part of the solution to our national health care crisis.

Early innovations and their results

In the early 2000s, health care costs were rising at three times the Consumer Price Index, threatening to double the cost of the County's self-insured medical plan in less than seven years. Recognizing the complexity of the problem, King County knew that it had little ability to influence the situation by itself. The County convened and founded the Puget Sound Health Alliance in 2004, a purchaser-led coalition which would go on to win national recognition for its work publicly rating the quality of regional health care providers, advocating for the alignment of payment systems that reward quality over volume, and increasing transparency. The Puget Sound Health Alliance later expanded its work statewide and is now known as the Washington Health Alliance.

A second area of focus during this time was the work that occurred between King County and the labor unions that represent a majority of our workforce. The financial crisis we faced might have taken the expected adversarial route of "who's going to get stuck with this bill" – but that was not the case. Instead, we saw it as a shared challenge, one that led us to roll up our sleeves, learn together, and design a set of strategies to curb costs without significant shifting of costs to employees or making substantial reductions in benefits. And in 2005, King County reached a historic agreement with labor unions to overhaul the medical plan design. Instead of charging premiums, the County offered lower out-of-pocket expenses for employees' participation in wellness activities under a program known as Healthy Incentives. Participants received a substantial reduction in out-of-pocket expenses for taking a health risk assessment and even lower for participating in an action plan targeting behavior-related health risks. The incentive was never tied to outcomes, only to participation.

In addition, the County built cost differentials into the benefit plan designs to motivate employees to choose higher quality healthcare. Member out-of-pocket expenses were set considerably lower for the Group Health Cooperative HMO plan (now Kaiser Permanente) than for the Preferred Provider Organization (PPO) plan. As a result, membership in the HMO grew by more than 8 percentage points. Group Health's care system not only cost less, it had the highest quality ratings in public reports from the Puget Sound Health Alliance measuring area providers' adherence to evidence-based medical practices.

Taken together, these changes led to an estimated $46 million in avoided costs from 2007 to 2011.

- $6.5 million from employees electing to shift to higher quality, lower cost health care plan

[1] The IHI Triple Aim framework was developed by the Institute for Healthcare Improvement in Cambridge, Massachusetts (www.ihi.org).

- $14.6 million from improved health (projected savings from employees' healthier lifestyles, include a reduction in smoking rate from 11 percent to 6 percent, and significant weight loss)[2]
- $24.7 million from benefit plan design changes (increased employee cost sharing in the PPO plan, and lower utilization of services that accompanied that)

In 2013, King County received an *Innovations in American Government* award for Healthy Incentives from Harvard University's Kennedy School of Government.

Expansion of value-based purchasing in employee health care

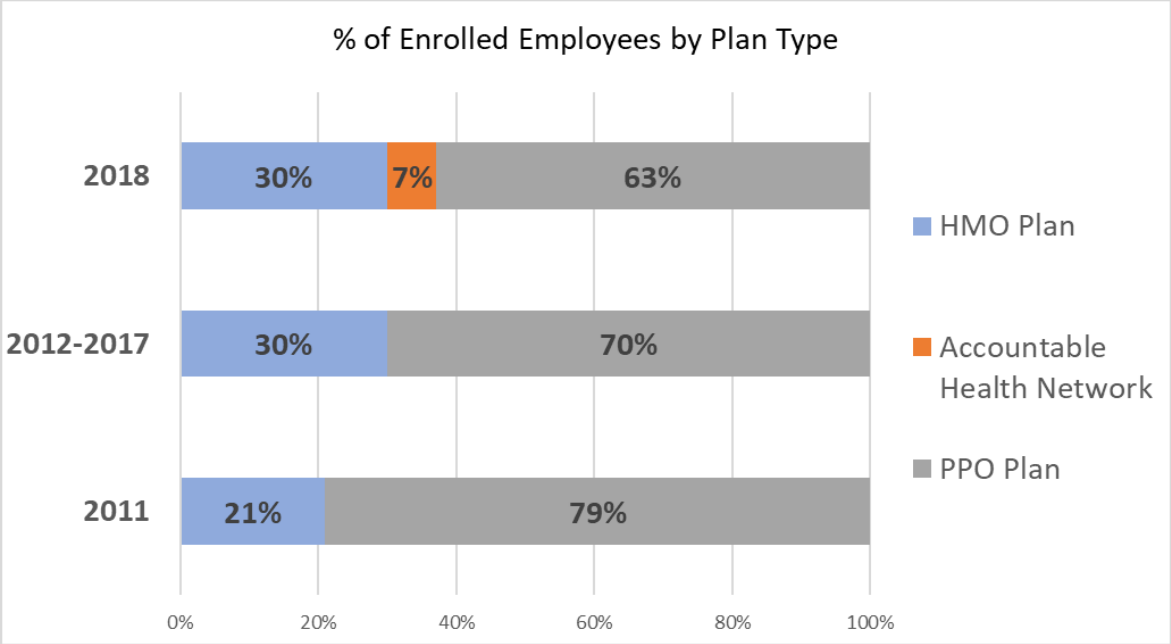
Through the federal Centers for Medicare and Medicaid Innovation (CMMI), Washington State was granted a State Innovation Model award in 2015 to help accelerate health transformation, including payment and delivery system reform. Under the *Healthier Washington* initiative, their work involves testing several payment redesign strategies, including offering an accountable care health plan for the state's public employees. Early on, they shared their lessons and tools openly with King County, encouraging us and other purchasers, both public and private, to adopt a similar value-based payment model.

King County took up this call to action, a natural next step that built upon our previous efforts. While enrollment in the high value Kaiser Permanente HMO plan was remaining steady at 30 percent over the years, we needed new tools that would better engage members of the PPO plan. With labor partners, we articulated a vision for what we hoped to achieve through adding accountable health networks, and learned the details of how our dollars would play a role in rewarding these integrated care systems for meeting certain quality, patient experience, and financial targets. Accountable Health Networks had become available as a product through our PPO third-party administrator, Regence BlueShield, and we rolled it out to employees in 2018. To encourage employees to consider the Accountable Health Networks, we invested heavily in communications to explain the new option and help them understand all their choices. As an incentive to consider the new plan, a portion of the deductible was waived for the first year.

Enrollment into the Accountable Health Networks exceeded our expectations, with 7 percent of employees electing it in 2018 – about 1,800 covered lives. This brings to 37 percent the employees now enrolled in a value-based plan (that is, either Kaiser Permanente or the Accountable Health Network), and we have a target for 2019 to move this to 44 percent.

The Accountable Health Network is lower cost both for the County and for our employees compared to the traditional PPO. Over a two-year period, a 10 percent enrollment shift into the accountable health plan is expected to yield about a half million dollars in savings. Most important, we are contributing to the needed infrastructure and clinical process changes that will help provider systems reach their goals to deliver more efficient, effective, and prevention-oriented care over time.

[2] Scoggins, JF, Sakumoto, KN, Schaefer, KS, Bascom, BB, Robinson, DJ, Whalen, CL. Short-term and Long-term Weight Management Results of a Large Employer-sponsored Wellness Program. JOEM. 2011, 53(11) 1215 – 1220



Looking ahead, our long-range goal is for 80 percent of our health care payments to be linked to quality and value within the next five years. Strategies we intend to explore in the years ahead include incorporating the use of Centers of Excellence and bundled payments, increasing the availability and use of telehealth services, and focusing more on intensively on driving improved access to and the quality of mental health services. Network and plan design strategies that will help reduce the use of unnecessary and low-value care are other key areas of interest, especially in light of recent information regarding the extent of waste here in Washington.[3]

Modernizing the workplace health promotion and well-being strategy

Over 2017-2018, we also evolved the Healthy Incentives program, removing the 10-year-old incentive structure that linked participation to one's out-of-pocket costs in their health plan. Our commitment to continuous improvement led us to recognize that the approach was no longer producing optimal value either in terms of avoided costs, or for our employees in terms of supporting their overall well-being. We were increasingly mindful that a segment of our employees – especially those in lower socioeconomic groups – were facing barriers to participation and thus paying more for their health care than other employees.

We are now shifting to a more inclusive approach to how we invest in our employees, widening our lens to embrace the important ways that our larger practices as an organization – such as how work is organized, our leave policies, support for financial literacy, our equity and social justice efforts – contribute to a culture that affects health and well-being. Emerging work from the Robert Wood Johnson Foundation and Global Reporting Initiative has begun to more clearly document

[3] First Do No Harm: Calculating Health Care Waste in Washington State. Washington Health Alliance. February 2018. www.wacommunitycheckup.org

the positive, proven health and business outcomes associated with specific business practices, and the value of building a culture of health for business.[4]

As we modernize our approach to workplace health programs and policies, we are also taking a lesson from the public health playbook. While the King County region on average enjoys good health, there are significant differences by place, race, and income. In King County, life expectancy varies greatly by neighborhood, with gaps of more than 10 years between neighborhoods with the highest and lowest life expectancies.[5] An understanding of the extent of these disparities led public health partners to foster a much more tailored approach to working with communities to support them in their health improvement goals.

Similarly, we find that health concerns and opportunities vary greatly across subgroups of our employees. In a recent study regarding the health of low socioeconomic status employees, researchers found that many employers are reluctant to discuss anything related to employee socioeconomic status, income, or education, including how employees in different job roles might experience different barriers. They noted that "at a time when companies are investing increasing amounts in workplace health promotion, company reluctance to consider differences between groups of employees is counterproductive for their efforts to improve employee health."[6]

King County, by contrast, is leaning in to better understand and respond to these differences. An example of one way we're being more responsive to the diversity of our workforce is the creation of a workplace health improvement fund to which employee teams may apply for modest funds for projects to strengthen health, safety, and well-being in their worksites. One of the hallmarks of successful workplace health promotion is the extent to which employees are involved in its development, and have a stake in its design and direction.[7] Another example is the work underway with our transit employees. We realized that, compared to other County workers, this group was much less likely to have had a recent dental check-up – nearly 1 out of 3 had not visited a dentist in the past year – a situation which can lead to more costly problems down the road. So we worked with the transit union ATU 587 and our dental carrier, Delta Dental, to co-design a six-month pilot in which we are reducing cost sharing, offering scheduling help at bus bases, and taking other steps to help workers find a dentist that's right for them. *See Attachment A for an example of a poster we posted at bus bases.*

Finally, we are taking steps to increase the extent to which our employees are active participants in their own care and able to understand how health coverage works. We want our employees to be better shoppers of health care, to establish a primary care provider relationship, to feel confident

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[4] A Culture of Health for Business Stakeholder Consultation Draft. August 2018. Accessed 9-9-2018. www.globalreporting.org/cultureofhealthforbusiness

[5] King County Community Health Needs Assessment 2018/2019. Retrieved 9-9-2018 from Public Health – Seattle & King County, Community Health Indicators. www.kingcounty.gov/health/indicators

[6] Parrish, Amanda T., MA; Hammerback, Kristen, MA; Hannon, Peggy A., PhD, MPH; Mason, Caitlin, PhD; Wilkie, Michelle N., BA; Harris, Jeffrey R., MD, MPH, MBA. Supporting the Health of Low Socioeconomic Status Employees: Qualitative Perspectives From Employees and Large Companies. Journal of Occupational and Environmental Medicine: July 2018 – Volume 60, p. 577-583.

[7] Workplace Health Model, Centers for Disease Control and Prevention, U.S. Department of Health and Human Services. Accessed 9-9-2018 https://www.cdc.gov/workplacehealthpromotion

in talking with their care team, to be an active participant in decisions that affect them, and to avoid low value and unnecessary care.

In the near term, we anticipate returns on this investment will manifest as more engaged employees, reduced stress, greater productivity and retention, and more regular engagement in preventive and primary care services. Will it impact health care costs and outcomes? Taking the long view, we would expect that this more comprehensive, tailored, and upstream focus will, over time, yield benefits in health improvement and contribute to a reduction in health care cost growth in concert with larger community efforts to improve health.

Driving greater value in the care for low-income residents and those in the Medicaid program

In addition to reforming how we pay for employee health services, King County is also driving pay-for-value innovations in systems of care that serve low-income and vulnerable residents of King County.

For example, King County is an active partner with the state of Washington in the Medicaid Transformation project, a five-year agreement between the state and federal government under a Section 1115 waiver through which the state will receive up to $1.5 billion to restructure, improve, and enhance the Medicaid program. Early on, King County convened local stakeholders and helped lay what is now a strong, collaborative foundation for Medicaid Transformation to occur in our region, through the *HealthierHere* regional partnership.

With local tax revenues, too, we are challenging ourselves to move to new value-based payment models. One such recent innovation is the creation of a "Pay for Success" model that will allocate $1.4 million a year in incentive payments to mental and substance use treatment agencies that provide outpatient treatment on demand for people in need. King County partnered with the Ballmer Group and Third Sector Capital Partners to design the innovative contracting arrangement and a rigorous evaluation; the pilot stemmed from a 2016 recommendation of the regional Heroin and Prescription Opiate Addiction Task Force to develop treatment on demand capacity.

Across King County's lines of business, we are innovating to make health care more affordable and sustainable. We're using every available lever – how we purchase health care for employees, how we engage in Medicaid payment reform, and how we purchase services for low-income residents – to accelerate this.

Lessons learned

Our involvement in health system transformation over the past 15 years has shed light on three factors that have been most critical to supporting innovation.

1. **Work in coalition and align efforts.** We have seen the benefits of working in coalition at every step of our journey. As an active member of Washington State's *Healthier Washington* initiative, we come to the table with a wide range of public and private entities– insurers, employers, health departments, health systems, and others – to learn from each other, find common ground, align our efforts, and commit to actions that are mutually reinforcing. For example, when King County negotiates contracts with health plans, we align with the State's

common measure set, a practice which helps avoid unnecessary increases in administrative burden. Similarly, our coalition approach to working with labor unions on benefit design has remained thoughtful and fruitful over the years. In monthly committee meetings, we monitor actuarial reports together, review quality data from the Washington Health Alliance, and co-design workplace health promotion activities, all informed by a commitment to achieving the Triple Aim.

2. **Commit to continual improvement**. King County embraces Lean to help us solve problems. We respect the people who do the work as the sources of continuous improvement, and we strive to eliminate waste and deliver better value for the residents and communities of King County. We apply these principles as a purchaser of health care, working actively to understand the products we are buying, pushing for greater transparency, and working to eliminate waste. We also apply this in workplace health promotion efforts. Last year, we reached out to and heard from over 2,000 employees in the process of designing the next generation of our well-being strategy. They had a lot to say about what would better support their well-being, and they're among the most important experts we should be listening to.

3. **Work both downstream and upstream.** Much of the current dialogue on ways to address health costs focuses on the health care system itself, such as its degree of waste, the variation in prices and quality, and ways to improve care for those with costly, complex conditions. Innovations in these areas are certainly critical, and King County has been among those working to change incentives and practices for the better. But even as we do that work, we are mindful that much of our spending is still for the treatment of physical, mental health, and substance use conditions that are largely preventable. Until collectively we pay even more attention to what's happening upstream, we won't be able to truly impact downstream health care costs over the long term. King County is an active innovator in upstream efforts, investing in everything from early childhood supports through the Best Starts for Kids initiative, to mental health promotion and substance abuse prevention, to public health programs, to workplace health promotion. The evidence of cost effectiveness is strong and growing. Yet at a time when more than 17 percent of the U.S. Gross Domestic Product is spent on health care, only 3 percent of the government's health budget is spent on public health measures.[8]

How Congress can help accelerate innovation

We recommend three areas of attention from Congress that will be helpful in reducing the growth of health care costs, and enabling continued innovation and engagement at the local level from entities such as King County.

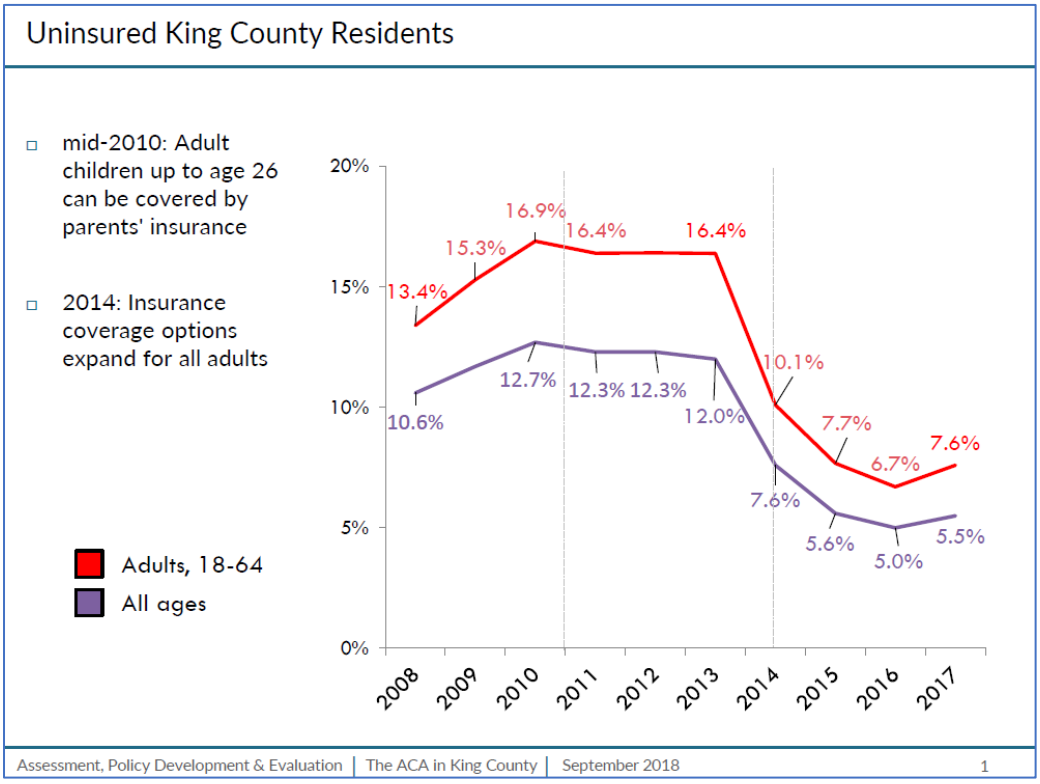
- **First, lead the way in value-based payment, increased transparency, and efforts to reduce waste in health care**. Purchasing power is greatest at the federal and state levels, and action here is critical to accelerate strategies that pay for value, such as accountable care organizations and bundled payments – and to help assure that payers across Medicare, Medicaid, and the employer-based system are well aligned. We have experienced firsthand the way that federal investments in the Centers for Medicare and Medicaid Innovation and its partnership with states has spread to King County, allowing us to more easily align our efforts with others. Looking ahead, Congress should provide leadership to tackle one of

[8] For the Public's Health: Investing in a Healthier Future. Institute of Medicine. April 2012.

the thorniest problems we face—the spiraling costs of specialty drugs and continued lack of true transparency in the pharmaceutical industry.

- **Second, support a robust prevention and public health system at the local, state, and federal levels**. Public health systems work upstream to promote health and prevent disease, addressing the root causes of poor health and health inequities. It's a great value buy, with evidence that it offers a positive return on investment.[9] As value-based purchasing in health care begins to create stronger incentives to keep people healthy, there will be new opportunities and needs for greater partnerships between public health systems and clinical care systems. The underfunded prevention and public health system needs a deeper investment in order to play these and other critical roles that stand to help bend the cost curve over time.

- **Third, protect the gains in coverage, care, prevention, and innovations that the Affordable Care Act has ushered in.** Here in King County, the uninsured rate dropped from 12 percent to 5.5 percent since new insurance options became available. Over time, access to a healthier workforce can help employers like King County and others across the region better fulfill their missions and strengthen their competitive edge.



[9] McCullough JM . "The Return on Investment of Public Health System Spending," AcademyHealth. June 2018.

Attachment A: Poster placed in bus bases to highlight dental coverage benefits for transit employees.

A visit to your dentist can save you money

Did you know a cavity prevented saves you about $2,000 over a lifetime?

Regular dental visits can help avoid costly problems down the road.

A special program is available exclusively to ATU 587 members and their covered dependents.

From Jul 1 – Dec 31, 2018, visit an in-network dentist for any of these services, and it will cost you NOTHING.

- Oral exams
- X-rays
- Cleanings
- Fluoride treatments
- Sealants (age 18 and under)

Have questions? Look for the Delta Dental table on-site throughout the year! Representatives will be at select Transit sites in-person to help!

Visit **DeltaDentalWA.com** or contact us at 866.229.4102

King County METRO

DELTA DENTAL
Delta Dental of Washington