



United States  
**Office of  
Personnel Management**

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STATEMENT OF THE HONORABLE DAN G. BLAIR  
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before the

SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION  
COMMITTEE ON GOVERNMENT REFORM  
U.S. HOUSE OF REPRESENTATIVES

on

“YOU CAN’T ALWAYS GET WHAT YOU WANT... WHAT IF THE FEDERAL  
GOVERNMENT COULD DRIVE IMPROVEMENTS IN HEALTH CARE?”

September 13, 2004

Chairman Davis, Vice-Chairman Murphy and Members of the Subcommittee:

I am pleased to be here today on behalf of the Director of the U.S. Office of Personnel Management (OPM), Kay Coles James, to discuss the role of the Federal Employees Health Benefits (FEHB) Program in relation to a very significant range of issues that taken together may have a major effect on the delivery of health care services and ultimately on the health status of Americans.

In order to provide a context for the discussion, please let me take the opportunity to talk a little about the structure of the Program and the role of OPM as the Program administrator. The FEHB Program provides for the offering of competitive health benefits products for Federal workers, much like large employer purchasers in the private sector. More than eight million Federal employees, retirees and their dependents are covered by this program. OPM administers this employee benefits program by contracting with private sector health plans offering over 200 choices to Federal consumers. OPM does not contract with providers, does not process claims, does not do independent clinical research, and does not mandate specific program initiatives.

Under the leadership of Director Kay Coles James, OPM has consistently encouraged participating health plans to be creative and responsive to consumer interests and to be innovative in developing plan-specific programs that would benefit patients while also controlling costs. By working closely with the health plans and encouraging them to constantly improve the quality of services they offer our enrollees, Director James has succeeded in moving the Program forward in many critical areas without locking the health plans into predetermined solutions. Director James has emphasized flexibility and consumer choice as very important features of a competitive health benefits program.

She has also vigorously opposed mandates within the FEHB. With a clear understanding of the framework under which we operate, I would now like to discuss each of the six issues that are the subject of this hearing in turn and how they relate to activities within the context of the FEHB Program.

Ways to encourage plans to focus on high value services including preventive services and comprehensive care for common chronic conditions

Across the board, the FEHB plans offer excellent preventive services benefits. In the most recent annual call letter sent to the FEHB carriers on April 19, 2004, and in the call letters issued by OPM in the last few years, we have stressed the importance of both preventive services and comprehensive care for chronic conditions. For example, in OPM's call letter last year, we strongly encouraged carriers to provide coverage for the full range of preventive screenings for colorectal cancer, and the carriers' responses were overwhelmingly supportive. And in our negotiations with health plans proposing to offer a High Deductible Health Plan with a Health Savings Account feature in 2005, we have emphasized that under Treasury guidance for administration of this new product, preventive services can be covered before the deductible has been met.

In our call letters and ongoing in our role as Program administrator, we encourage plans to emphasize care management for members with chronic conditions, including flexible benefit options and diagnosis-based programs. Care management programs help educate affected members about their chronic conditions and help ensure that they are getting appropriate services. It is generally accepted that a relatively small percentage of members - primarily those with chronic conditions - use the greatest percentage of benefits. By addressing the needs of chronically ill populations, the results will help to improve the quality of care and promote the effective use of benefit dollars. Examples of disease management programs offered by FEHB plans include congestive heart failure, diabetes, asthma and cardiovascular disease.

OPM has also recently collaborated with the Centers for Medicare and Medicaid Services (CMS) on a study by a Johns Hopkins University research team that assessed the special needs of patients with multiple chronic conditions. Blue Cross and Blue Shield (BC/BS), our largest fee-for-service plan, partnered with Johns Hopkins University and The Robert Wood Johnson Foundation to develop an initiative to improve the care and quality of life for the more than 125 million Americans with chronic health conditions. The partnership is engaged in three major activities:

- Conducting original research and identifying existing research that clarifies the nature of the problem;
- Communicating these research findings to policymakers, business leaders, health professionals, advocates and others; and
- Working to identify promising solutions to the problems faced by people with chronic health conditions.

Thus far, the Partnership has produced three Johns Hopkins School of Public Health Chronic Conditions papers. The first, “Chronic Conditions in a Working Age Population,” compares data from a private sector employer-sponsored health plan with data from the Medical Expenditure Panel Survey. Prevalence of chronic conditions, spending, and utilization are examined. The paper provides insights into chronic conditions in the workforce that can be useful in understanding more about how chronic conditions affect health care utilization.

The second paper, “Trends in Chronic Condition Co-morbidities in a Group Health Plan,” analyzes basic trends among the privately insured with chronic conditions, by analyzing claims data from 1999 through 2001. The results show a trend toward increasing numbers of younger population groups with chronic condition co-morbidities. The third paper in the series, “Physician Utilization by People with Chronic Conditions,” looks at the visit patterns to primary care physicians and specialists among enrollees who had at least one physician visit during 1999. This paper concludes that, with the exception of children with one or no chronic conditions, enrollees see a specialist physician more often than a primary care physician.

Another FEHB plan, the Hawaii Medical Service Association, began a two-year Palliative Care Coordination Pilot Program for its FEHB members on July 1, 2004. Its purpose is to facilitate access to appropriate palliative care for patients with life-limiting disease and an 18-month prognosis without requiring that patients forego continuing curative care. It will provide early identification, timely intervention, and proactive case management for patients and families. The program is designed to bridge the gap between home health and hospice benefits for people who may not qualify for either benefit but who would gain in functioning, comfort, or quality of life from palliative care services for end-of-life care. In turn, the plan will analyze utilization, cost, quality, and patient/family satisfaction.

Another FEHB plan, Group Health Incorporated (GHI) has established several disease management programs including *Positive Actions Toward Health (P.A.T.H.)*. It is designed to detect and reduce gaps between established standards of clinical excellence and actual care provided to patients. The *P.A.T.H.* program utilizes all available patient level data coupled with current medical knowledge to identify issues specific to individual patients. Patient level recommendations are generated and shared with treating physicians. In a Preferred Provider Organization network environment where referrals to specialists by a primary care physician are not required, communication of care delivery can be fragmented. Through the identification of patient specific and timely recommendations as well as physician to physician interaction and education, the *P.A.T.H.* program provides critical information to the plan’s network of approximately 50,000 providers and facilitates collaboration among GHI, their members, and physicians. Recently, GHI received a Health Plan Association Achievement Award in the patient care improvement category for the innovative *P.A.T.H.* program.

In summary, these are a few of the ways in which OPM is working closely with the health care community to encourage initiatives on preventive services and treatment of chronic conditions.

### The impact of good health practices on premiums

President Bush's *HealthierUS* initiative is based on the premise that increasing personal fitness and becoming healthier is critical to achieving a better and longer life. Extensive research, much of it conducted or funded by the Federal Government, has shown that improving overall health and thus preventing disease and premature death, is as easy as making small adjustments and improvements in the activities of daily life. The President's *HealthierUS* initiative uses the resources of the Federal Government to alert Americans to the vital health benefits of simple and modest improvements in physical activity, nutrition, and behavior. President Bush's *HealthierUS* initiative has identified four keys for a healthier America:

- Be physically active every day
- Eat a nutritious diet
- Get preventive screenings
- Make healthy choices.

Director Kay Coles James launched the *HealthierFeds* campaign last year to support the President's *HealthierUS* initiative. The campaign places emphasis on educating Federal employees and retirees on healthy living and best-treatment strategies. It pioneers new territory that holds great promise for the general health care marketplace. Through *HealthierFeds*, the Director is going after the "demand" side, incorporating a new focus on personal responsibility and the consumer's role in driving both quality and affordability.

The goal of the *HealthierFeds* campaign is to ensure that Federal employees, retirees, and their families are informed on healthy living and best-treatment strategies.

OPM has established a consumer website at [www.healthierfeds.com](http://www.healthierfeds.com) which is aimed at providing consumer education focused on nutrition, physical fitness, avoidance of risky behavior and prevention. OPM also operates wellness programs that help to keep our own employees informed and focused on their lifestyle choices. In addition, OPM provides leadership in the Federal sector on work/life programs for all Federal employees.

OPM has long-established relationships with FEHB carriers that offer quality health plans with comprehensive benefits packages at affordable premiums. OPM has encouraged FEHB carriers to work closely with us in the *HealthierFeds* campaign to provide education on fitness, healthy lifestyles, care management, and prevention strategies. FEHB carriers have responded by helping to educate their members through health promotion materials and information on their websites, as well as linking to OPM's website.

OPM also has established partnerships with other employer organizations and industry advocates. And, OPM has maintained linkage with the President's *HealthierUS* initiative and the Department of Health and Human Services' Steps to a *HealthierUS*.

In summary, we believe that Federal employees and their families are intelligent health care consumers, and it is to everyone's benefit to provide them with sound information. Educating Federal consumers may lead to more patient involvement in health care decision-making and, subsequently, more consumer responsibility and awareness of costs.

A reimbursement component that allows plans to receive a premium for meeting certain high standards of quality

While FEHB law (chapter 89 of title 5, United States Code) does not allow for premium differentials, many health plans participating in the FEHB program engage in techniques that encourage high standards of quality. Blue Cross and Blue Shield, the largest FEHB plan, has about twenty initiatives in place to reward providers for performance and outcomes. Some examples are Anthem Blue Cross and Massachusetts Blue Cross, both of which have programs based around the recognition of hospital performance. BC/BS of Illinois has announced a program that will reward distance monitoring of its providers' intensive care units as a way to improve quality. In 2003, Empire BC/BS joined forces with IBM, PepsiCo, Verizon Communications, and Xerox Corporation to offer financial incentives to network hospitals that achieve patient safety standards articulated by the Leapfrog Group.

Integrated Healthcare Association has convened six large California health plans (Aetna, Blue Cross of California, Blue Shield of California, Cigna, Health Net, and PacifiCare) in a pay-for-performance program. The health plans award bonuses to physician groups based on an aggregate score that includes clinical measures, patient satisfaction and information technology investment. This initiative is using a set of common measures to evaluate the groups' performance. These are just a few of the examples in which the insurance industry is working to identify new ways to provide incentives for good performance.

CMS is currently conducting a Medicare demonstration project that uses financial incentives to encourage hospitals to provide high-quality inpatient care. Hospitals that deliver the best quality of care will be rewarded with higher Medicare payments. Bonuses will be awarded based on a hospital's performance on evidence-based quality measures for a variety of medical conditions. Only top-performing hospitals will receive monetary bonuses. All hospital patients, including FEHB members can benefit.

We remain vigilant and current on evolving pay-for-performance programs and issues through active membership and association with numerous recognized healthcare quality organizations, such as the National Quality Forum, the Leapfrog Group, The National Committee on Quality Assurance, and the Joint Commission Business Advisory Group. However, pay-for-performance is in its very early stages of development, and the programs I've mentioned are still in the pilot stage. It is too early to determine results; nor are there standard metrics for measuring results currently in place. Further, OPM contracts with health plans, not providers, therefore, we are not in the same category as self-funded employer plans or CMS. We have no mechanism to reward providers

directly for superior performance. However, we will continue to monitor developments in the industry and will consult with the health plans as they evaluate various approaches and begin to assess best practices.

Ways to promote the use of information technology to create cost savings

On April 27, 2004, the President issued Executive Order 13335, Incentives for the Use of Health Information Technology and Establishing the Position of the National Health Information Technology Coordinator. In response to that Executive Order, in July 2004, the Office of Personnel Management issued a report to the President on Interoperable Health Information Technology (HIT). As part of that report, OPM expressed our intent to explore the adoption of a variety of options to speed the nationwide phase-in of HIT as soon as is practicable. Some of the options we suggested we would look at were:

1. Strongly encouraging FEHB Program participating health plans to adopt systems that are based on generally accepted and certified standards.
2. Strongly encouraging health plans to highlight their provider directories to indicate individual provider HIT capabilities.
3. Strongly encouraging health plans to link disease management and quality initiatives to HIT systems for measurable improvements.
4. Strongly encouraging health plans to provide incentives for the adoption of interoperable health information technology systems by key providers under FEHB contracts.
5. Basing part of the service charge, or profit, for fee-for-service and other experience-rated plans on their developing incentives for:
  - Doctors and pharmacies to use paperless systems to fill prescriptions (ePrescribing);
  - Contracting with hospitals that use electronic registries, electronic records, and/or ePrescribing; and
  - Increasing the number of enrollees whose providers use electronic registries, electronic records, and/or ePrescribing.
6. Introducing performance goals for health maintenance organizations (community-rated plans) that are linked to their developing incentives for:
  - Doctors and pharmacies to use paperless systems to fill prescriptions (ePrescribing);
  - Contracting with hospitals that use electronic registries, electronic records, and/or ePrescribing; and
  - Increasing the number of enrollees whose providers use electronic registries, electronic records, and/or ePrescribing.

7. Introducing incentives and performance goals for plans that contract with networks of providers to make records accessible through secure and Health Insurance Portability and Accountability Act compliant interoperable HIT systems.
8. Introducing incentives and performance goals for plans that integrate their provider networks with local and national health information infrastructure initiatives.
9. Encouraging and rewarding pharmacy benefit managers for providing incentives for ePrescribing and health information technology linkage.

HHS has the lead in moving the health information technology agenda forward. Government agencies including OPM, the Departments of Defense and Veterans Affairs, and CMS are collaborating with representatives from the provider and private sector purchaser community in a dialogue on how best to accomplish the important goals established by President Bush.

Ways that the FEHBP can measure comparative efficacy and value of alternative preventives and treatments in a systematic way

As a large purchaser of employee health benefits, OPM does not perform clinical research to assess the value of new health technology. The purpose of the FEHB Program is to provide health insurance to its consumers at the lowest possible cost, and not to conduct medical research. While we are not a research organization, we work with the health plans and others and support their efforts. We do not preclude FEHB plans from voluntarily participating in comparative efficacy and alternative preventive and treatment studies. OPM also relies on other federal agencies for medical research. For example, for benefits coverage, such as drugs and biologicals, we would rely on the determinations of the Food and Drug Administration (FDA). If the FDA has approved a drug, device, or biological product, FEHB plans would provide coverage when the product is used for its intended purposes and labeled indications. Of course, this is subject to the caveat that the product would be considered covered under the health plan's benefit structure and the services would be medically necessary and appropriate for the patient's condition.

For emerging technology assessments, medical advisory panels may be used by health plans. One such panel is exemplified by the Technology Evaluation Center (TEC) founded in 1985 by the Blue Cross and Blue Shield Association. The TEC pioneered the development of scientific criteria for assessing medical technologies through comprehensive reviews of clinical evidence. Since its inception, TEC has been recognized for leadership in producing evidence-based technology assessments. Each TEC Assessment is a comprehensive evaluation of the clinical effectiveness and appropriateness of a given medical procedure, device or drug. Averaging 20 to 25 assessments a year, TEC provides healthcare decision makers with timely, rigorous and credible information on clinical effectiveness. TEC serves a wide range of clients in both the private and public sectors, including Kaiser Permanente and CMS.

Possible avenues on how the FEHBP can better stress health literacy

We continue to stress health literacy by encouraging FEHB enrollees to become more informed about their healthcare. We provide information on our FEHB website such as comparison tools, to assist enrollees with choosing the right health plan that best suits their needs. We participate in various groups that stress health literacy such as the National Quality Forum (NQF), the Quality Interagency Task Force (QuIC), comprised of several Federal partners including the Agency of Healthcare Research and Quality (AHRQ), and the Leapfrog Group. As a part of the NQF we participate in many workshops that discuss ways to continue to stress health literacy. Most recently, we participated in a workshop on September 10, 2004 that discussed how to “Improve Patient Safety Through Informed Consent in Limited English Proficiency/Low-Literacy Populations.”

In 1999, a report from the Institute of Medicine found that up to 98,000 people die each year in America's hospitals as a result of medical mistakes that are preventable. As a result, the QuIC tasked itself with developing means to further educate consumers about their health care. The QuIC developed the 5 Steps to Patient Safety, which was adopted by all of our health plans and incorporated in each health plan brochure. The 5 Steps to Patient Safety can also be found on the FEHB and plan websites. As a part of the QuIC, we have also participated in the development of other comprehensive patient safety brochures, pamphlets, and posters designed to educate FEHB enrollees about their health care. We continue to encourage our FEHB health plans to incorporate these materials in their consumer information and educational materials wherever possible.

As a part of the Leapfrog Group we stress support for informed health care decisions by encouraging purchasers to promote high-value health care, educate consumers about their choices, and provide incentives where possible for those that adhere to these principles.

In summary, while the primary role of OPM as the administrator of the FEHB Program is to contract with health plans to provide healthcare coverage for Federal employees, retirees, and their families, under the leadership of Director James we have used our leverage as a major purchaser, often in collaboration with other purchasers, to facilitate meaningful efforts by the health plans to improve the quality of services they provide. Within the framework of our mission, we believe we can and should contribute to the overall efforts to make and keep the American healthcare system one of the best in the world.

This concludes my testimony. I appreciate this opportunity to provide our comments on these important initiatives in the health care industry and the Federal Employees Health Benefits Program.