



August 1, 2014

Department of Health and Human Services, Centers for Medicare & Medicaid Services  
Department of Labor, Employee Benefit Security Administration  
Department of the Treasury

**Re: Comments on the applicability of out-of-pocket limits with a reference based pricing structure**

Dear Sir or Madam;

On behalf of The Alliance and its employer members, I write to urge the departments to grant flexibility to employer health plans using a reference based pricing structure in regard to out-of-pocket limits as required by the Affordable Care Act.

The Alliance is a not-for-profit cooperative owned and governed by more than 200 employers that provide health benefits to more 90,000 employees and family members in three states. The services we provide to our members include cost and quality transparency reporting, payment innovations, consumer support, health policy advocacy and other ideas that will move health care forward.

**Cost Transparency**

The establishment of a high value provider network is central to our mission. It has been our contracting philosophy since we were founded in 1990 that we are generally open to contracting with any health care provider that will accept our contract terms. Those contract terms including provisions that allow us to issue detailed reports on the cost and quality of health care being delivered through our network by provider. Today, The Alliance is providing robust cost information and some quality information to employees and dependents as part of our online provider directory.

Needless to say, there is great variation in the amounts charged by health care providers for the exact same service. And through our work, we have found no correlation between the cost of services and the quality of services delivered. The gap is encouraging consumers to us this information to make good choices.

**Quality and Performance Measures**

In an ideal world, we would have robust information on the quality of health care being delivered in addition to robust cost data. Unfortunately, we have considerable progress to make in this area. The Alliance has long devoted time and resources toward measuring and reporting on quality, and we strongly agree this is the direction we as a nation need to go in aligning incentives that promote value. That said, we are still short on data that allows us to meaningfully measure differences in quality, especially at the physician and specialist level.

The Alliance is in the process of launching a new program called “QualityPath” where we will identify a physician and facility pair that together meet an established set of quality standards for certain schedulable procedures. The quality standards were established collaboratively with our local providers and include complication rates, readmissions, patient safety protocols and patient reported experience and outcomes. To validate performance, we use our own data, data that comes from Wisconsin’s all payer claims database and information from public datasets. Still, we need more data to validate results on all providers.

Innovations like QualityPath are in the early stages of development, and we some work to do before we are able to identify, at the physician level, doctors that can deliver on both quality and price. We have learned that many other parts of the country are far behind us in these efforts. This is what consumers need however, and so we are actively pursuing the data to help us report this information as broadly as possible.

### **Plan Design Flexibility**

It is imperative that employers be able to use all the tools in their toolbox to continue our march toward true health care value purchasing. That includes reference based pricing.

Until recently we believed that if we helped employers and their employees understand the facts about cost and what we know about quality, that consumers would naturally select higher value providers. Unfortunately, this has not been the case.

Today we understand that employers must put plan designs in place to incentivize their employees to select high value providers. Not only does this save money for employers and employees but it rewards high value providers with increased market share, encouraging other providers to lower their costs. Our members are actively working on new plan designs to move health care down this path, including reference based pricing models and bundled pricing models.

We urge the departments to afford employers the utmost flexibility in designing these types of plans, and hope you will continue to view reference based pricing as being compliant with the Affordable Care Act. While quality and performance are important factors that should also play a reference based pricing model, we also hope the departments recognize that we have a long way to go before quality reporting on measures that are relevant to consumers (ie. physician level reporting) are at the level we need them to be in order to drive change in the market.

If you have any questions or would like to discuss these comments further, please do not hesitate to contact me at (608) 210-6621.

Sincerely,



Cheryl A. DeMars  
President and CEO