

**“U.S. HEALTH CARE: FIXING AMERICA'S PAIN POINTS”
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Good morning. Thank you, Barbara [Van Allen, President of the Economic Club of New York], for that introduction.

The Economic Club of New York has a long history of promoting serious discussion of the most important economic, social and political questions of the day. It's an honor to be with you this morning to share my thoughts on the pain points in America's health care system.

I'll start with the fact that the current system was built to provide acute care in a fee-for-service world — not to provide coordinated care to the chronically ill, who now make up one-half of the U.S. population.¹

Nor was it designed to meet the changing demands and expectations of patients, who are increasingly looking for more value, greater convenience, and help in making healthier choices every day.

The result is a fragmented system that produces high costs and less than optimal health outcomes, and one that many patients experience as a maze of confusion. Many of you have experienced these challenges not only as patients or caregivers, but also as business leaders and employers.

Today I am going to focus on three significant pain points:

- Rising costs;
- Challenges in accessing primary care;
- And chronic disease.

In addition, I'll discuss the shifts that are needed to improve outcomes and drive down spending, and examples of sensible, market-based opportunities to do so.

Let me begin with the first pain point: rising costs.

Health care spending has increased from 5 percent of GDP in 1960 to 18 percent today, and is on a path to reach 20 percent within the next 10 years.² That extra 2 percent would amount to more than \$250 billion, undermining our country's ability to fund every other critical priority, such as education and infrastructure.

These cost increases have a huge impact on the budgets of employers and public programs — and they are increasingly affecting the pocketbooks of everyday Americans.

And here's why. First, employees' health premiums have been rising at about twice the rate of annual salary increases.³ Second, more employees are enrolling in high-deductible benefit designs. Today, nearly 30 percent of covered workers are enrolled in high-deductible plans, compared to only 4 percent a decade ago.⁴

These plan designs are intended to introduce more consumerism into the health care system. However, approaching health care with a consumer mindset is still a very new experience for many people.

What people want is affordable health care, and they need innovative tools, as well as simple and clear information, to help them be more effective consumers.

Said another way, we've pushed health care accountability and decision-making to the patient, but health care literacy and tools to empower patients are lagging behind the expectations of consumer-driven benefit designs.

Since medications are involved in nearly 80 percent of all health care treatments, one significant opportunity to lower costs for consumers is in the way prescription drugs are procured, priced and managed.⁵

Today, more than 87 percent of prescription drugs dispensed are generics. The real problem in terms of cost relates to the other 13 percent, which are brand-name drugs.⁶

Pharmacy benefit management companies, or PBMs, do a very effective job at driving down drug prices for their employer, health plan, and government clients. Over the next decade, PBMs are projected to save clients more than \$650 billion — up to 30 percent — on drug benefit costs.⁷

They do this by leveraging the purchasing power of millions of Americans, and by deploying a variety of tools and capabilities to ensure their clients and members receive the right pharmacy care at the lowest possible cost.

Traditionally, doctors have not had visibility into their patients' benefit plans to know what programs are available to their patients, the costs of various medication options, or where patients are in their deductibles.

With the growth of e-prescribing and electronic health records, that is no longer the case. It is now possible for PBMs to transmit important formulary and benefit information to the patient and physician through the patient's EHR, providing drug pricing and other valuable data at the point of prescribing. This creates an opportunity for informed dialogue about the most appropriate course of treatment, which can prevent the "sticker shock" many patients experience at the pharmacy counter today.

And it's bigger than just pharmacy ... similar opportunities exist across the entire health care system. Take MRI scans, for example. According to data compiled by Medicare, an MRI could cost you as little as \$470, or as much as \$13,000 — depending on where you have it performed.⁸

Billions of private-sector dollars have been invested in developing cost-comparison tools and other technologies such as mobile applications, wearables, and cloud-connected devices, to help individuals and their physicians make more-informed decisions about their health and health care.

As patients continue to take advantage of these new tools and act more like consumers, they will help spur even more competition among health care providers and help lower the overall cost of health care.

A second major pain point in U.S. health care is access to primary care.

Most experts agree that primary care physicians should serve as the medical home for all patients. However, with the expansion of health coverage under the Affordable Care Act, and 10,000 Americans reaching retirement age every day for the next decade, the system is overwhelmed by the increased demand for services.⁹

In just the last three years, the average wait time for a physician appointment in large metro markets like New York City has increased 30 percent. It is projected that by 2020, the U.S. will experience a shortage of more than 45,000 primary care physicians.¹⁰

Making matters worse, patients without a primary care physician, or who can't get an appointment, often turn to the least cost-effective site of care — the Emergency Room.

Clearly, there is an opportunity to help consumers more easily access health services — whether in their communities, in their own homes, or through digital tools.

That's why one of the most encouraging changes taking place in health care today is the expansion of lower-cost sites of care. I call it the "retailization" of health care, and it is just getting under way.

For example, urgent care centers and walk-in health clinics are growing rapidly. They're up to 80 percent less expensive than the ER for the services they provide, with the same or better outcomes.¹¹ This makes them an ideal complement to primary care.

Another convenient option is in-home care, where treatments such as infusion services can be provided at a much lower cost than at a medical facility, and with greater comfort for the patient. As the population ages, this will become an increasingly attractive option for those who prefer to age in place.

The next frontier of accessible care is telehealth. Imagine how different the health care system will look when millions of Americans can use an app on their phones to teleconference with a physician from a walk-in clinic, from their home, or from a hotel room halfway around the world. That's where health care is headed, and the future is not far off.

I want to emphasize that these additional care options do not replace primary care physicians — they complement and extend primary care. In addition, it is critical that the care provided through these and other low-cost sites be connected and integrated through the patient's EHR, to avoid the risk of fragmented care.

That leads me to the third and final pain point I'd like to address: the growing prevalence of chronic disease.

As I referenced earlier, about 1 in 2 Americans has at least one chronic illness — such as heart disease, hypertension or diabetes — and the numbers are growing.

Today, 85 percent of all health care spend goes to treating chronic illness. Ineffective management of these conditions, and the medications associated with them, is estimated to cost about \$300 billion per year.¹²

For example, research indicates that half of all patients in the U.S. do not take their medicines as prescribed, and up to one-third of prescriptions are never even filled.¹³

This leads to some serious consequences:

- About 1 in 5 patients who are discharged from the hospital are readmitted within 30 days;
- 3 in 4 of these readmissions are preventable;

- And 2 in 3 relate to medication issues.¹⁴

This is simply unsustainable, particularly as the population ages and more Americans transition across care settings such as the hospital, the home, and long-term care.

So there is a tremendous opportunity to make health care much more effective, by engaging with patients more frequently where they are, and coordinating care to make a complex system much easier to navigate.

Pharmacy care can play a significant role, because a patient with a complex chronic disease like advanced diabetes will visit the pharmacy many more times than the doctor's office over the course of a year.

Pharmacists can take a more active, supportive part in each person's unique health experience – from advising on the best use of prescriptions and improving medication adherence, to helping coordinate care more effectively among a patient's health care providers.

Research has shown that programs that include one-on-one counseling between a patient and a pharmacist are two-to-three times more effective at improving medication adherence than other interventions, and result in cost savings of \$3 for every \$1 invested.¹⁵

In addition, the ability to analyze big data has enabled innovations in pharmacy care that can support pharmacists in ensuring patients receive high-quality care.

At CVS Health, for example, we have developed a Health Engagement Engine that not only analyzes our own pharmacy data, but also data from other payor sources, including health plans, providers and health systems.

This creates a much more holistic view of the patient, and the ability to exchange information with the insurer and the physician through the patient's electronic health record. For example, we notify doctors when patients aren't refilling their prescriptions, and doctors alert us to patients who have complex regimens where we may be able to provide some help by synchronizing their prescriptions.

We have even developed a highly accurate way to predict when fragile patients might need extra support, such as when they are about to be discharged from the hospital or transitioning to a skilled nursing facility. By intervening at those critical moments, we can help prevent very costly readmissions.

Utilizing data in this way is a crucial opportunity in health care. Today, the system largely analyzes data *reactively* to determine the cause of a health event after the fact. Going forward, the ability to translate data into actionable information *proactively* — predicting and preventing events before they happen — will really start to move the needle in a way that produces better outcomes at a lower cost.

Let me conclude where I began. The health care system we have today wasn't built to adequately address the pain points that are familiar to all of us.

Fortunately, there are many opportunities to improve outcomes and drive down costs, and I am very excited and optimistic about the changes that are already taking place.

At CVS Health, we serve as the front door to health care — touching the lives of 1 in 3 Americans — and we are playing an active role in providing more *affordable, accessible, and effective* care.

We are not alone in this effort. Tremendous investments are being made in private-sector innovations to improve health care and reduce spending ... and market forces are helping to increase choice and competition, empower consumers, and make a complex system easier to navigate.

And there are important public policy changes that can be made to help accelerate these opportunities to improve U.S. health care.

- First, let's continue to increase competition in the prescription drug market by clearing the backlog of 3,000 new generic pharmaceuticals awaiting approval by the FDA, giving priority review to drugs for which there is no existing competition, and increasing the speed-to-market of new biosimilars. I know Commissioner Scott Gottlieb shares these priorities, and I applaud him for the actions he has been taking.
- Second, let's accelerate consumerism by modifying the rules around health savings accounts. Currently, the rules allow employers to cover certain preventive drugs for chronically ill patients at little or no cost outside the patient's deductible. However, patients are required to start paying for their drugs as part of the deductible once they get sick. We believe plan sponsors should have the option to cover all prescription drugs for little or no copay outside the deductible at any time, if that is how they choose to structure their benefit.

- Third, given the importance of their role, let's empower pharmacists to spend more of their time helping patients, not doing administrative work, by enabling them to practice at the top of their license.

All of you have a huge stake in the debate over the future of health care, so I hope you will stay actively engaged.

Before I conclude, I would like to say a word about one more important pain point in American health care, and that is the alarming and heartbreaking opioid epidemic.

In the last two decades, opioid prescribing rates have increased nearly three-fold. This remarkable volume of opioid prescribing is unique to the U.S., where prescribing in 2015 was nearly four times what it was in Europe.

This epidemic has no single cause, and it doesn't discriminate. It exists in cities, in the suburbs and across rural America — among all socio-economic groups.

Addressing it requires a multi-pronged effort involving many health care stakeholders — from doctors, dentists and pharmaceutical companies to pharmacies and government officials.

At CVS Health, we will certainly continue to do our part.

- In the last two years we have worked with local law enforcement around the country to collect and safely dispose of more than 100 metric tons of unwanted medications. Next year we will add to these efforts by installing 750 new drug disposal collection units in our retail pharmacies nationwide.
- We have also worked with 43 states to expand access to the opioid overdose-reversal drug naloxone, to help save lives and give people a chance to get the help they need for recovery.
- And we have a program called "Pharmacists Teach" that connects CVS pharmacists with schools in their local communities to educate students about the dangers of prescription drug abuse. So far, the program has educated nearly 300,000 students, and next year we will expand it to include an educational component for parents as well.

One of the most difficult challenges, however, is changing prescriber habits for acute injuries. How many of you have had the experience of being prescribed 30 or 60 powerful pain pills for an ankle sprain or a simple dental procedure?

As a leading stakeholder in pharmacy care, we believe it is time to institute limits on the quantity of opioids dispensed to patients who are receiving an opioid for the first time – and to ensure that the prescription fits the medical condition. So, utilizing our retail pharmacies and our PBM services, we will work with physicians, patients, plan sponsors and other stakeholders to encourage limiting to seven days the supply of opioids dispensed for certain acute prescriptions, while continuing to ensure patients with critical needs have access to appropriate care.

Again, thank you for the opportunity to share my thoughts with you.

Endnotes

¹ U.S. Centers for Disease Control and Prevention (CDC), Chronic Disease Overview.

² Centers for Medicare and Medicaid Services (CMS), National Health Expenditure Data.

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⁴ Mercer, *2016 National Survey of Employer-Sponsored Health Plans*.

⁵ National Center for Health Statistics.

⁶ IMS Institute for Healthcare Informatics.

⁷ Pharmaceutical Care Management Association.

⁸ CMS, Medicare Provider Utilization and Payment Data.

⁹ CMS, "2011 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds."

¹⁰ Association of American Medical Colleges, "The Impact of Health Care Reform on the Future Supply and Demand for Physicians: Updated Projections Through 2025," June 2010.

¹¹ Mehrotra A, Liu H, Adams JL, Wang MC, Lave JR, Thygeson NM, et al. "Comparing Costs and Quality of Care at Retail Clinics With That of Other Medical Settings for 3 Common Illnesses." *Ann Intern Med*. 2009;151:321-328.

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¹⁵ Troyen A, Brennan, Timothy J, Dollear, Min Hu, Olga S, Matlin, William H, Shrank, Niteesh K, Choudhry and William Grambley, "An Integrated Pharmacy-Based Program Improved Medication Prescription And Adherence Rates In Diabetes Patients." *Health Affairs*. 2012 Jan;31(1):120-9.