Bonnie Grissom Blackley, Benefits Director, Blue Ridge Paper Products Inc.
ORAL TESTIMONY
June 27, 2006, 10:00 a.m.
Senate Special Committee on Aging
Senator Gordon H. Smith, Chariman

Issues/steps leading to exploration of "medical tourism"
Plans to offer as a benefit

"Our world" – the last manufacturer

Blue Ridge Paper Products Inc., in Canton, North Carolina is a paper manufacturer predominately making beverage and food packaging. Our company was built by Champion International Paper and began operations in 1908. On May 14, 1999, local union employees (of Local 507 of the Paper, Allied-Industrial, Chemical & Energy Workers International) partnered with a venture capital fund to buy the assets. The employees' stake was financed through a 15% reduction in wages *and* wages and benefits were frozen over the 7-year term of the buy-out agreement.

We are the largest manufacturing company left in Western North Carolina with 1,300 covered employees and another 800 in 4 other locations outside of NC. Our employees are predominantly male, over age 48, with decades of service and several health risk factors. They work 12-hour, rotating shifts, making it extremely difficult to manage health conditions or improve lifestyle.

Using the Tools at Hand – Wellness and Diabetes Management on-site

I rolled out our first wellness and on-site diabetes programs in 2001. The wellness program was based on cash rewards for obtaining preventive services. Under our on-site diabetes program members pay nothing for diabetic medications and supplies in exchange for compliance.

Redesigning the Health Plans

At the same time wellness and diabetes programs were introduced I worked with union and non-union volunteers, forming a Benefits Task Force to redesign very complex benefits programs. By the third year of change and program implementations, we reduced two straight years of 18% healthcare cost increases to 2%. New disease management programs were then added and we started a cash-reward based tobacco cessation program.

In 2004 with medical costs increasing 5%, BRPP opened our own full-service pharmacy and family medical center staffed with a pharmacist, Internist and nurses. In 2005, we actually saw a 3% decrease in overall medical costs. Because our task force was not sure about offering a consumer driven health plan, we added a high deductible plan with no employee premium contributions to our choice of programs.

Population Health Management (PHM Program)

After researching Population Health Management programs, I began rolling out our own program last year. Upon completion of a Health Risk Assessment, covered employees and spouses are rewarded $100 each, categorized by health risk levels, and assigned a personal nurse coach. The nurse coach acts as each member's health manager and based on readiness to change, assists the member with setting individualized health goals, and suggests member participation in 1 or more of 14 available health programs. The member is eligible for

cash rewards, waived or reduced copays on over 100 medications, free self-help medical aids/equipment, educational materials, etc.

Health Care Delivery at BRPPI – Past, Present & Future

In 2000, our claims were projected to be $36 million by 2006. Because of innovative programs, our cost at the end of this year will be around $24 million. Though not the $36 million projected, this does represent an increase of 75% since 2000. Continued medical trend twice CPI is clearly unsustainable, even for financially sound employers with younger, healthier employees. Half of U.S. companies have recently stated that increased health care costs have contributed to slower profit growth, lower wage hikes, and delayed hiring of new, permanent workers. What's the impact of health care claims on our bottom line? Since the date of the union buy-out to the end of 2005, our health care claims amounted to $106,951,200. Our company has lost $92 million since the buy-out.

We provide retiree medical coverage and as our aging workforce quickly reaches early and normal retirement, we are very anxious about our financial ability to provide those benefits. As a matter of fact, we have eliminated retiree medical benefits for salaried employees hired on or after March 1, 2005.

This leads me to address the one major area of innovation that has not been successful for us at BRPP – cost of services from medical providers. Even with the promise of patient steerage, we were unable to negotiate discounts with a large medical practice across the street from our mill. Even with partnering with six other large employers in our region, we were unable to negotiate more than a pittance of a discount with our local, tertiary hospital (don't even mention pay for performance!). Even though I appealed to the hospital to reduce its charges to help us stay in business, I was met with the same old come back from them - "hire healthier employees, exclude high-cost services from your programs, and put in wellness programs". This came from the same hospital that has expanded its profitable services, benefited from limited competition, strong population growth and the absence of a dominant managed care company, and according to Moody's Investors Service, has better margins and higher cash levels than other hospitals across the country.

Employers are angry, fed-up, and desperately seeking relief from a system that ranks 37th worldwide in quality of care but costs more per capita than other industrialized nations ($5,267 in US, $2,193 median, BRPP $9,000+). We do not get commensurate value for our health care dollar, are not seen as customers, must pay for medical errors and hospital-acquired infections, and are patronized by being constantly told by health care leaders that American health care is the best in the world. Yet our employees are having to hire "patient advocates" and CMS announced in March they plan to provide cancer "navigators" as answers for coping with today's medical system.

Since January of this year, we have provided a heart valve replacement for one employee and a kidney transplant for another. Both worked for us less than 3 months before their surgeries. They both indicated they had no medical issues on their post employment medical questionnaire. Fraud is rampant with employees desperate to cover themselves or ineligible dependents. Why should people in this country be so desperate for health care that they are willing to commit fraud? And, why are employers in the business of health care delivery anyway? Does it make sense anymore especially when our government has a proven delivery system already in place? Medicare could be expanded to provide health care to everyone.

About 18 months ago, I saw a segment on "20/20" about medical tourism. As months passed, articles in trade publications began reporting on outstanding surgical facilities and surgeons in other countries and how expenses were 80% to 90% cheaper than in the U.S. with better outcomes. I read a newspaper article about IndUShealth and was so impressed I contacted them to see if they would be willing to work with us to make its services available to our employees.

As I see it, we can address our health care crisis or we can outsource it. BRPP must compete in a global marketplace with a global economy, yet our health care providers have little or no competition resulting in monopolistic, ego-driven, self-serving, self-indulgent "health" care suppliers with no regard for their real customer – the paying employer. With healthy competition, our health providers will become more efficient, lean, cost effective and productive, provide better services and products, and reimburse customers for inferior products, or go out of business, just like the rest of us.

And yes, should I need a surgical procedure, provide me and my spouse with an all expense-paid trip to a Joint Commission International-approved hospital that compares to a 5-star hotel, a surgeon educated and credentialed in the U.S., no hospital staff infections, a registered nurse around the clock, no one pushing me out of the hospital after 2 or 3 days, a several-day recovery period at a beach resort, email access, cell phone, great food, touring, etc., etc. for 25% of the savings up to $10,000 and I won't be able to get out my passport fast enough.

Daily Health Policy Report from Kaiser Family Foundation

The *Seattle Post-Intelligencer* recently published an editorial and an opinion piece that addressed the issue of health care costs. Summaries appear below.

> *Post-Intelligencer*: **The U.S**. accounts for a "shocking" $1.7 trillion of the $3.3 trillion spent annually for health care worldwide and **ranks 37th worldwide in quality of care**, according to a *Post-Intelligencer* editorial. Other "advanced countries spend far less individually or as a society," but those nations have "guaranteed coverage for all," the editorial states, adding that "our problems of access, cost and quality are less alarming because they have incrementally grown as we lurch along with a unique, hybrid system haphazardly built around private care, employer insurance, inadequate federal dollars for the elderly and poor and the deadweight of insurance-industry bureaucracy." According to the editorial, "We must move beyond the Band-Aid fixes that politicians love to advocate for the interest of one group of consumers, doctors or campaign contributors," but "nothing will change until Americans decide our system doesn't have to be the way it is" (*Seattle Post-Intelligencer,* 12/11).
>
> John Newport, *Post-Intelligencer*: The current U.S. health care system "is clearly unsustainable," Newport, a health policy analyst and author, writes in a *Post-Intelligencer* opinion piece. According to Newport, the health care system "is wired backward, with preventative services taking a back seat to highly profitable, technologically based interventions" and health care costs "approaching $2 trillion per year." However, he writes "a large share of the blame rests squarely with you and me for abrogating responsibility for our health," adding that "we have adopted lifestyle choices that are abysmally out of balance: Witness our nationwide epidemic of obesity and sedentary lifestyles." He concludes, "I am firmly convinced that if we could effectively motivate people to embrace truly health conscious lifestyles, we could easily cut our health care costs in half" and "dramatically improve our collective life expectancy and quality of life, while enabling all Americans to have ready access to affordable, high-quality care" (Newport, *Seattle Post-Intelligencer,* 12/13).

Daily Health Policy Report

Coverage & Access | United States Spends More Per Capita on Health Care Than Other Nations, Study Finds

[Jul 12, 2005]

The United States spends more on health care per capita than other industrialized nations but does not receive more services, according to a study published on Tuesday in the July/August issue of *Health Affairs*, the *Los Angeles Times* reports. For the study -- led by Gerard Anderson, a health policy professor at Johns Hopkins Bloomberg School of Public Health -- researchers analyzed the health care costs of 30 nations in the Organization for Economic Cooperation and Development. The study found:

- The nations examined spend a median of $2,193 per capita on health care;
- The United States spent $5,267 per capita for prescription drugs, hospital stays and physicians visits in 2002, compared with $3,446 per capita for Switzerland, the next highest spender;
- Health care spending accounted for 14.6% of the U.S. gross domestic product in 2002, a time when only two other nations -- Switzerland and Germany -- spent more than 10% of their GDP on health care;
- The United States has 2.9 hospital beds per 1,000 residents, compared with a median of 3.7 beds per 1,000 residents among the other nations examined;
- The United States had 2.4 physicians per 1,000 residents in 2001, compared with a median of 3.1 physicians per 1,000 residents among the other nations examined in 2002;
- The United States had 7.9 nurses per 1,000 residents in the United States in 2001, compared with a median of 8.9 nurses per 1,000 residents among the other nations examined in 2002;
- The United States has 12.8 CT scanners per one million U.S. residents, compared with a median of 13.3 scanners per one million residents among the other nations examined;
- The United States appears to have more magnetic resonance imaging machines per capita than many of the other nations examined, but the machines are used only 10 hours daily in the United States, compared with a median of 18 hours daily in other nations; and
- **The average medical malpractice payment, which included both settlements and judgments, was $265,103 in the United States in 2001, compared with $309,417 in Canada and $411,171 in Britain.** (Physicians in the US routinely blame malpractice insurance premiums for the high cost of providing care.)

Anderson said, "We pay more for health care for the simple reason that prices for **health services are significantly higher in the United States than they are elsewhere**." Karen Davis -- president of the Commonwealth Fund, which supported the study -- said that the **United States "does not get commensurate value for its health care dollar**" (Girion, *Los Angeles Times*, 7/12).