

**Statement of Kathleen Buto
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**Before the Subcommittee on Health
Committee on Energy and Commerce
House of Representatives**

On the Tri-Committee Health Reform Bill

June 24, 2009

Good afternoon, Mr. Chairman and members of the Committee. My name is Kathy Buto, Vice President, Health Policy, Johnson & Johnson, and I am pleased to come before you today to offer comments on the Tri-Committee Health Reform bill. Johnson & Johnson supports enacting legislation this year to provide coverage to all Americans, and we look forward to working with your committees to achieve this critical objective. Johnson & Johnson is the most comprehensive health care company in the U.S., with businesses spanning pharmaceuticals, medical devices, diagnostics, health and wellness, and consumer products, such as over-the-counter medicines, baby products, and cosmetics. The corporation employs approximately 119,000 individuals worldwide and had over \$63 billion in sales in 2008. The major business segments comprise pharmaceuticals (39% of sales), medical devices and diagnostics (36%) and consumer products (25%).

By way of introduction, I focus on a broad array of health policy areas for Johnson & Johnson worldwide, including Medicare, Medicaid, access to care both in the U.S. and in other countries, and public policies to improve evidence-based practice, achieve greater value in health care, and to maintain incentives for innovation to address unmet medical needs. I have spent much of my career on these issues, including 18 years with the Department of Health and Human Services, where I was involved in implementing changes in the Medicare and Medicaid programs and participating in efforts to enact health reform legislation.

The draft bill is comprehensive, so I will focus on a few topics where our perspective as a company might be helpful to the Committee: these are wellness and prevention, comparative effectiveness research, Medicare Part D, and options available through the health insurance exchange.

Wellness and Prevention

As an employer that has focused for more than 30 years on improving the total health of our employees, we were especially pleased that the bill would include prevention benefits and set cost sharing at zero in Medicare and the

essential benefits package to promote the use of approaches to encourage greater wellness in the population. Recently, our CEO, Bill Weldon, was invited to meet with President Obama and other executives, to discuss what can be learned from successful employer-based wellness and prevention that might be incorporated into health reform. We were able to share the fact that, in the past 10 years, Johnson & Johnson has used incentives and outreach to reduce risk factors in our employees through these programs. For example, smoking was reduced from 12% in 1995-1999 to 4.3% in 2007. High blood pressure reduced from 14% to 6.2%. Elevated cholesterol levels were reduced from 19% to 7%. Johnson & Johnson saved \$250 million over 10 years. Last year, we decided that we need to develop a business that will help other employers achieve these results as well. We believe the bill's focus on promoting use of clinical preventive services, tobacco cessation, and vaccines will make a difference in improving the health of the nation.

Comparative Effectiveness Research

We are pleased that the bill includes having a comparative effectiveness enterprise that will focus on improving the evidence physicians and patients can use to make treatment and care decisions and reduce the geographic variation in treatment that has been documented by the Dartmouth group. We have great respect for the Agency for Healthcare Research and Quality under the leadership of Carolyn Clancy. But having worked in government, I know the yearly uncertainty about funding and staff resources that can sometimes hinder a single agency within the broader federal government. We believe the overall effort will be better served if the entity is a public-private partnership, with transparency of methods and processes, inclusion of stakeholders, and a focus on clinical comparative effectiveness research. Such an entity will provide information that will allow the market to determine the relationship between clinical value and cost. There are benefits of having a public-private entity, including leveraging additional research dollars of physician and academic organizations and industry, creating a strong and broad-based constituency for sustainable funding, and building the trust and collaboration needed for the entity to succeed.

Medicare Part D

We commend the Committee for the proposal in the bill that would develop a path for closing the Medicare drug benefit coverage gap or “donut hole” over time. The pharmaceutical industry’s recent proposal, to provide discounts of 50% for the majority of beneficiaries in the coverage gap, will provide immediate relief in reducing the cost burden to beneficiaries during this transition. Rather than provide rebates to the federal government as mentioned in the bill, we believe our proposal will help the sickest beneficiaries by providing financial help directly to them. We do applaud the committees for including in the bill an important change for patients receiving pharmaceuticals through AIDS Drug Assistance Programs and Indian Health Service by allowing those costs to count toward meeting the threshold for out-of-pocket costs.

Health Insurance Exchange

We support having a health insurance exchange that can provide information to the public on different options, including covered benefits and costs of coverage. We believe it is important to address administrative simplification and support reforms to make insurance more accessible and affordable. We understand that, in order for these reforms to work, individuals have a responsibility to get coverage. We believe that these reforms will make a public or government plan option unnecessary. You may wonder why there is such concern about a public plan. From our perspective, health reform must be first and foremost about making coverage available and accessible to everyone and to make changes in how we use health care resources – focus on preventing disease and early detection, using better evidence to guide care options, and improving reimbursement incentives so integrating care is made easier not harder.

We know there are concerns from providers like the Mayo Clinic and others about Medicare’s administrative pricing systems, which usually do not cover actual provider costs. Medicare already shift costs to employers and private payers, and an expansion of these payment rates to a potentially large public plan

and many more enrollees will make matters worse. From our industry, there's concern that a public plan could undermine a market-based system that provides incentives for the long-term research we will need if we are to find cures for cancers, Alzheimers disease, and other debilitating and costly conditions. A government plan that negotiates prices of pharmaceuticals would be more likely to use price controls that would undermine risky and long-term research in important new treatments. We won't know what hasn't been developed until we look back and wonder why we aren't seeing the breakthroughs we've seen in the past.

On the topic of incentives for innovation to address unmet medical needs, biologics are considered by many researchers to be the most promising avenue for some of these cures. We know the Committee is looking at a pathway for follow-on biologics. Johnson & Johnson has been in the forefront in the U.S. and many other countries of supporting a regulatory pathway for biosimilars that assures patient safety and preserves incentives for the discovery and development of life-changing and life-saving medicines. We would be happy to make our experts available to work with you. We strongly support the Pathway for Biosimilars Act (H.R. 1548) introduced by Rep. Anna Eshoo (D-CA), which at last count has over 100 co-sponsors.

Other Important Provisions

The bill would make important changes to providing coverage quickly to some of the lowest income individuals. PhRMA recently joined Families USA in endorsing a balanced approach to health care reform, including increasing Medicaid eligibility to 133% of the poverty level. Johnson & Johnson also supports the expansion of funding for federally-supported Community Health Centers (CHCs) and has endorsed the Community Health Center Funding Expansions Access for All Americans Act (H.R. 1296), introduced by Rep. Clyburn (D-SC) and others . Particularly, as broader reform will require a transition period, both of these changes would improve access for uninsured individuals immediately.

We also believe that a focus on health disparities, based on race and ethnicity are important. Medicare and private insurers have found that, even with equitable coverage on paper, disparities exist in the use of services and in the outcomes of care by race and ethnicity. At Johnson & Johnson, we are working on health literacy initiatives worldwide, as we believe health literacy initiatives, such as those included in this bill, are needed to address language and cultural barriers but also to make complex health care information more understandable.

Another important provision relates to establishing a process to make payments to physicians from pharmaceutical, medical device, and diagnostic companies transparent. We are in favor of greater transparency regarding the relationships between healthcare companies and physicians. We continue to believe such transparency is in the best interest of patients, payers, other stakeholders in healthcare, and the industry itself. Earlier this year, Johnson & Johnson endorsed the Physician Payments Sunshine Act of 2009 (S. 301) introduced by Senators Kohl and Grassley.

Further, please be aware of what we are doing voluntarily in this area. The U.S. pharmaceutical companies of Johnson & Johnson will begin voluntarily providing information about the payments that they make to physicians on their respective web sites beginning in the first half of 2010. Reporting will be expanded to include Johnson & Johnson's medical devices and diagnostics companies and will reflect the general provisions of S. 301 by June 30, 2011.

We support the inclusion of transparency language in health care reform legislation. We do, however, have some concerns with the differences between S. 301 and the discussion draft. While further adjustments may be made to the bill as it moves through your Committee, we are hopeful that Congress will see the wisdom of focusing on a single, well-designed and nationwide approach to the reporting of physician payments. Properly designed and comprehensive, this will be more useful to patients than a patchwork of disparate information resources

based on different requirements across state and localities, all covering the same types of disclosures.

We want to commend the Committee for including a focus on the primary care workforce to meet the needs of reform. Johnson & Johnson has undertaken for many years, a Campaign for Nursing's Future, to highlight the critical role of nurses in our health system. Yet, reimbursement, medical education policies, and scope of practice rules can slow the availability of nurses to meet these needs – we believe this bill will help advance the availability of nurses and other important practitioners of primary care.

In conclusion, I would like to thank the Committee again for this opportunity to testify on this important issue. We would like to work with you to enact reform this year. We believe there is broad support to expand access to all Americans and a sincere commitment to find ways to finance it.