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Before the House Energy & Commerce Subcommittee on Health

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Mr. Chairman, Chairman Dingell and members of the subcommittee, I am Sue Colburn, Vice President for Benefits at AT&T. We are pleased to have this opportunity to discuss the state of health care today and why every American needs health care coverage.

AT&T would like to thank Chairman Dingell for his leadership in this area. We applaud the fact that he has introduced health care legislation every session since he became a member of Congress in 1955 and for his efforts to reduce the cost burden of health care in America.

Today, there is a lot of debate about what to do. AT&T believes every person in America should have access to quality, affordable health insurance coverage. We also believe businesses, governments and individuals must work together and share responsibility in this endeavor.

I would like to discuss with the subcommittee what AT&T is facing as a company with regard to health care and some of the actions we have taken to address this growing concern.

AT&T is one of the largest private health care providers in the nation, covering more than 1.2 million people and spending more than \$5.5 billion annually. This includes over 175,000 collectively bargained employees and about 125,000 management employees and their dependents. It also includes just over 300,000 retirees and their dependents.

AT&T has continued to provide its employees and retirees with affordable health care coverage at a time when many companies are cutting back significantly or eliminating coverage entirely. Currently, only one third of large employers provide health care coverage to their retirees and that number is shrinking every year.

We are very proud of the fact that AT&T continues to provide these benefits to our employees, retirees and their dependents. We view employer-provided medical benefits as a competitive differentiator and an important tool in building a quality workforce. But the financial commitment is large and getting larger. Total health care spending has increased over 20 percent for our retiree population since 2001. Our per capita annual health care cost increase reached 12 percent in 2004, despite many efforts to contain cost inefficiencies. Recently this trend has declined slightly, due in part to general market trends and also because of plan design changes put in place in 2006 for our managers and some of our management retirees.

While it is our desire to continue providing these benefits to our employees and retirees, we find ourselves in an industry where competitive pressures may threaten our ability to do that. Our competitors typically do not provide this same comprehensive benefits coverage that is almost entirely subsidized by the employer to their active employees and are even less likely to provide health care coverage to their retirees. This puts AT&T at a distinct cost disadvantage at a time where speed and efficiency is critical to the nation's broadband deployment. In addition, we find ourselves covering the working dependents of our employees and retirees because either the dependent's employer does not provide coverage as attractive as ours, or doesn't provide coverage at all.

At the same time, we face the realities of the global marketplace. We compete with firms from around the world which do not have the same health care costs. And health care costs are one of the factors which affect a company's decision regarding location of employees.

Given this backdrop, the natural question is, what can be done to address these problems?

AT&T has worked diligently to control its own health care costs, but we believe no single employer can solve this problem on its own. We believe the problems facing the country's health care system cannot be addressed by employers alone. It will take a concerted effort on behalf of employers, individuals, the health care industry and the government to tackle these very difficult issues.

Employers should provide the tools and education to employees in order for them to properly utilize their plan. Further, employers need to stress the importance of wellness to the participants in their health plans. Regular physicals and screenings should be a part of every health care plan in order for individuals to detect issues before they become problematic.

It is critical that accurate quality and cost data be available to consumers so that they are able to make informed decisions. To that end, AT&T was an early supporter of Secretary Leavitt's "4 Cornerstones of Value Driven Health Care", which includes a call for transparency of provider data, including cost and quality data.

Another "Cornerstone" addresses increasing the use of technology in the health care sector. AT&T believes this is absolutely critical in introducing efficiency into an inefficient and fragmented health care industry. AT&T is in direct discussions with our service providers on how technology can be better utilized by their contracted physicians and facilities.

We believe having portable, secure personal health records is extremely important for the individual to truly control their health care destiny. Shortly, we will announce our financial and operational participation with a number of other employers, on the development and introduction of a utility that will do just that.

Also, we have been working in conjunction with the Communications Workers of America, in the analysis of gaps in health care delivery and its potential impact on our employees. We are currently developing a communication campaign to alert employees of these gaps, and provide them specific guidance on what they can do to correct those gaps.

We believe the problems facing the country's health care system cannot be addressed by employers alone. Instead it will take the support of employers, individuals, the health care industry and the government to tackle these very difficult issues.

As plan sponsors, we should incorporate efficient and effective design and concepts into these plans such as account based plans and high performance networks to attempt to mitigate costs.

But one of the other key components in this equation is the individual patient. The time is critical for individuals to be responsible for their own health. This responsibility includes lifestyle changes that improves their health such as engaging in weight management and smoking cessation programs and following treatment protocols prescribed by their physician, particularly adherence to drug therapies.

Another issue is the uninsured. Large numbers of uninsured increase the cost of coverage for the population that has insurance. The cost of caring for the uninsured, particularly by hospitals, is partially subsidized by providers' adding their un-reimbursed costs to the prices they charge patients with insurance. This cost shift is a problem for companies like AT&T that are trying to do the right thing by their employees. In addition, the lack of insurance directly affects the type and amount of health care services the uninsured receive. The uninsured do not always receive needed care.

In addition, the health care industry must step up and adopt technology that improves efficiency in operations at a faster rate than they are today. While the U.S. health care industry is known worldwide as the leader in development and deployment of medical technology, it is woefully slow in accepting and deploying technology as an aid to efficiency and accuracy.

The industry can do much more in the way of reporting both quality and cost data for individuals to make informed decisions. The development of accurate and fair criteria with which to measure efficiency and quality is in its infancy and will evolve, but progress is being made. Once developed, the industry should embrace and foster reporting by physicians and hospitals in order to quickly release the information.

It is critical, that government support the employer based system by not eroding the protections provided under ERISA. Having a common set of rules to follow increases the efficient provision of health care coverage across the nation and is critical in ensuring continued employer involvement. State regulation will undermine national employers' efforts to provide quality coverage .

In addition, supporting the efforts currently underway by Medicare in collecting and publishing cost and quality health care data is extremely important in aiding individuals in navigating a complex system.

Pricing transparency in the medical services industry should be supported by the government. Today, certain pricing within the health care industry is unclear and disguises the true cost of the service. This is especially true in the prescription drug area. Government should support efforts to remove any pricing strategy where the consumer cannot ascertain the true value of the service at the time of purchase.

Finally, the government should continue to support employer flexibility in providing health care coverage. While certain coverage minimums can improve coverage for individuals, broad, all encompassing mandates inhibit employers from either entering the market or continuing to provide coverage. We must be careful of unintended consequences.

Any legislation should proceed only after assessment of the effects of reform on numerous considerations, including but not limited to:

- the effect on quality, efficiency, and cost of health care;
- preservation of patient choice;
- reduction or elimination of systemic costs driven by the health care needs of today's uninsured;
- nondiscriminatory impact among American corporations; and
- elimination of the drag on global competitiveness of American corporations given the existing employer-provided health-care system.

In summary, the U.S. spends more per capita on health care than other developed countries, yet our outcomes are not materially better, and are, at times, worse. We have an unacceptably large number of uninsured for a country with the means and wherewithal to do better. The health care industry is inefficient and is in need of reform.

Individuals must realize they have a stake in their health and in the health care system, the health care industry must face its deficiencies and address them head on, employers need to be the catalyst for change and government should support moving the system forward for the betterment of its citizens and in the interest of keeping American business competitive.

Thank you for this opportunity to speak with you today.