

An Ounce of Prevention

All faith traditions have teachings on health as an act of spiritual commitment: Jesus worked miracles of healing for the faithful; Judaism teaches that individual human life is of supreme value and its preservation supersedes almost all other considerations; medicine men are venerated in Native American communities and; Muslims have very specific instructions regarding cleanliness, disease control and nutrition. Universal to all faith traditions is the call to safeguard our personal health and the health of others as a moral obligation.

ICCR's voice in the national discourse on domestic health care begins with this moral mandate, but what makes its Domestic Health Care Leadership team unique is their insider knowledge of the sector, as many members are long-term representatives of large U.S. hospital systems. The broader mission of the group is to improve access to and affordability of health care services for all U.S. citizens. As health care professionals and shareholder advocates, they have been working with companies to achieve this goal for over 20 years.

ICCR's work is guided by the UN Universal Declaration on Human Rights. Article 25 of the Declaration states: "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."

According to member Ed Gerardo, Director, Community and Social Investments, Bon Secours Health Systems Inc., "We regard health care as an immutable

"We regard health care as an immutable human right and question the inequitable distribution of health care coverage in America. For many of us with direct experience in U.S. hospital systems, we see that for too many Americans, there is no security in the event of sickness."

human right and question the inequitable distribution of health care coverage in America. For many of us with direct experience in U.S. hospital systems, we see that for too many Americans there is no security in the event of sickness."

Using the power of their investments as a catalyst for change ICCR members engage pharmaceutical, insurance and health care companies to bring greater equity to our health care system through the mechanisms of direct dialogue, letter writing, shareholder resolutions, and the convening of industry roundtables. In 2007, ICCR released a set of eight strategic Principles of Health Care Reform signaling their support of health care reform legislation. ICCR's recently published Statement of Principles and Recommended Practices for Corporations on Domestic Health Issues (see page 18) is a reaffirmation of their commitment to these principles as the Affordable Care Act comes under heavy fire from groups opposing reform. The document not only clearly sets out the business case for reforming health care, it articulates a detailed set of best industry practices pertaining to medical devices, pharmaceuticals, health insurance, and industry lobbying. ICCR members seek endorsement of the principles and practices outlined in the document by other investor organizations, faith-based communities, NGOs, health care systems and other companies.

HEALTH AT ANY PRICE?

According to a report issued by the Kaiser Foundation, health care spending in 2008 exceeded \$2.3 trillion or 16 percent of the nation's GDP. Many economists cite out-of-control health care costs as posing a real threat to the economic stability and future growth of our ailing economy and for this reason, health care reform has become a leading and controversial political theme in the upcoming election. Rising health care costs have focused media attention on the plight of retired workers and on the swelling ranks of the unemployed for whom medical care is fast becoming a luxury.

At the individual level, the protracted economic recession means that more and more people are without health insurance and others are being forced to choose between safeguarding their health and putting food on the table. The Consumer Reports National Research Center released a study last fall which shows the number of people who reported skipping prescription medication doses, doctor appointments and medical tests to save on health care costs rose to 48 percent.

According to member Sr. Susan Vickers, VP Community Health for Dignity Health, "There is mounting concern that the current pricing model in some medical industries is unsustainable over the long term. Particularly in the drug and medical device



sectors, comparative effectiveness research (CER) is being emphasized to substantiate patient outcomes and to help doctors make more informed choices for their patients.” Continued Vickers, “Health care companies that are adapting their models to respond to the changing environment will be ahead of the game.”

ICCR member work in domestic health care is focused in three key sectors:

HEALTH INSURANCE

While the data varies by study, the 2010 U.S. Census Bureau Report put the number of uninsured Americans at over 50 million. Further, the Kaiser Family Foundation reported that after several years of moderate increases, the average annual increase in employer-provided family health insurance premiums increased by 9% in 2011, compared with average wage increases of 2.1% and general inflation of 3.2%. Premiums for employer-provided family coverage increased 113% in 2011 over premiums in 2001, while workers’ share of cost for this coverage has increased 130% over the same period. Said Tom McCaney, Associate Director of Corporate Social Responsibility for the Sisters of St. Francis of Philadelphia, “We’re asking our health insurance companies to redesign their

benefit models, provider networks and payment models to amplify access and to limit premium increases.”

PHARMACEUTICAL PRICING

Increased regulatory requirements, insufficient innovation and intense competition from smaller manufacturers and generics all point to an unsustainable business model for big pharma. Meanwhile, the cost of two-thirds of the 15 best-selling drugs in the U.S. rose by double-digit percentages in 2010. Examples include Lipitor, Plavix, Crestor and Singulair. Insurance providers are increasingly demanding evidence of a prescription drug’s value beyond safety and efficacy. Fr. Michael Crosby, Director of the Wisconsin-Minnesota Coalition for Responsible Investment said, “Fundamentally, we want to make sure the pharmaceutical companies we hold are committed to developing and marketing drugs that will have meaningful patient outcomes.” Continued Crosby, “This is why comparative effectiveness data is so important: benchmarking means greater accountability and increased choices for doctors and their patients.”

MEDICAL DEVICES

The rising cost of medical devices continues to have a significant impact on the entire health care system. The industry suffers from a lack of transparency around pricing structures, inadequate research on product effectiveness including quality control measures and competitive benchmarking, a lax regulatory climate and undisclosed/unclear contracting activities. “There needs to be a better system for testing and tracking these devices to eliminate the possibility of product failures, and to protect the safety of patients” said Colleen Scanlon, Senior Vice President, Advocacy for Catholic Health Initiatives. “In addition, we want to know what our companies are doing to increase access for indigent patients.”

To this end, ICCR members are currently



engaged in over 50 health-related dialogues not only with major American pharmaceutical corporations and medical device manufacturers, but a host of other corporations from multiple sectors.

“This is why comparative effectiveness data is so important: benchmarking means greater accountability and increased choices for doctors and their patients.”

PROTECTING THE 'PATIENT PROTECTION AND AFFORDABLE CARE ACT' (ACA)

With the passage of ACA, ICCR members believe the nation has a seminal structure in place to broaden access to health services. However, since its passage in March 2010, various aspects of the legislation have been challenged and its full implementation has been impeded. In fact, ACA is under attack by several states, right-wing groups and business organizations that ultimately seek to repeal the law. "One of our biggest challenges is correcting the public misconceptions that result from the advertising campaigns these groups have underwritten," said Susan Makos, SRI Advisor for Catholic Healthcare Partners.

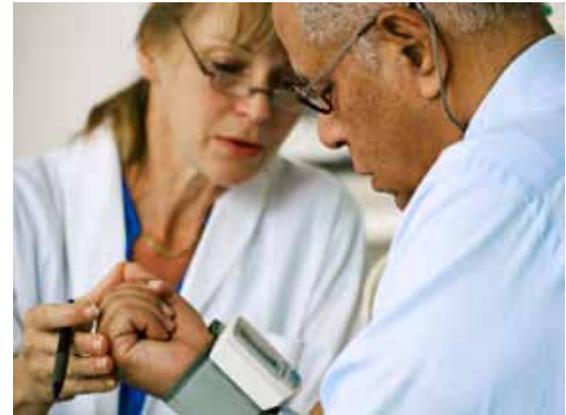
"The voice of faith groups was credited with facilitating the passage of ACA in 2010 and we are once again mobilizing our faith-based network in support of its full implementation."

There are currently several amicus briefs – a legal brief or appeal filed on behalf of a proponent in a case - before the Supreme Court which is set to adjudicate on the constitutionality of several aspects of the legislation in June. At issue are the minimum coverage requirement, also known as the individual mandate, and the Medicaid expansion provisions. "Educating the public about these provisions, and the implications should they be severed from the ACA, is a big part of our work," continued Makos. "The voice of faith groups was credited with facilitating the passage of ACA in 2010 and we are once again mobilizing our faith-based network in support of its full implementation."

Corporations may contribute resources to trade associations or other organizations that lobby indirectly on their behalf without disclosure and these payments often dwarf direct political and lobbying expenditures. Absent a system of accountability, corporate assets can be squandered or used for policy objectives which may pose risks to a company and its shareholders. For example, in 2009 the U.S. Chamber of Commerce collected over \$86 million dollars from health insurers and then used the money to lobby against health care reform: this was in direct contradiction of statements in support of ACA many of these companies had posted on their public websites.

To avoid this type of "double-speak" ICCR members call for greater disclosure around political and lobbying spending, including trade association contributions.

"We need to better understand how contributions to trade associations like the U.S. Chamber of Commerce are being used," said Donna Meyer, Consultant for CHRISTUS Health. "In some cases these funds are being used to lobby legislators and regulators to undermine implementation of the Affordable Care Act which runs directly counter to the stated missions of our companies." ICCR members have filed shareholder proposals on lobbying and political spending practices with several companies this proxy season including health insurers. Meyer continued, "We need to ensure that our companies aren't unintentionally supporting policy-making that would diminish health care options for Americans."



While not perfect, ICCR members believe the ACA creates a health care delivery system that begins to provide "security in the time of sickness" as outlined by the U.N. Declaration on Human Rights and support its full implementation. "Can certain aspects of the legislation be improved? Yes, absolutely", said Cathy Rowan, Director of Socially Responsible Investments for Trinity Health. "But the current system is deeply flawed, unjust and unsustainable. If we don't reform the system now, we will most certainly pay the price later." Continued Rowan, "We need to be mindful of the time-honored counsel, 'an ounce of prevention is worth a pound of cure' and ensure that all our citizens are given adequate health care services now to prevent crippling long term health care costs in the future."

"We need to be mindful of the time-honored counsel, 'an ounce of prevention is worth a pound of cure' and ensure that all our citizens are given adequate health care services now to prevent crippling long term health care costs in the future."



...We re-affirm these Principles, including the participation of all citizens (individual mandate) in the health system and call on companies and business leaders to publicly endorse the following six elements of the Affordable Care Act...



Principles for Health Care

Consistent with the teachings of our faiths and our commitment to social responsibility and business sustainability, ICCR members were led to issue the following Health Reform Principles over 4 years ago. They continue to guide and inform our work with corporations in the pursuit of a better health system in the United States.

- 1 Health security:** A reformed healthcare system will guarantee affordable quality health care for all.
- 2 Access:** In a reformed healthcare system, each individual, regardless of health, race, ethnicity, immigration or socio-economic status, has a set of portable and comprehensive core benefits that is sufficient for physical and mental health.
- 3 Quality:** A reformed healthcare system will promote high quality care through the re-alignment of incentives as well as through care design and coordination to:
 - Improve health outcomes;
 - Improve patient safety and satisfaction;
 - Provide evidence-based practice and investments that will enhance our health care system.
- 4 Accountability:** All stakeholders (individuals, providers, businesses, non-profits, governments) are accountable for the integrity, viability, and cost containment of the health care system.
- 5 Equitable financing:** All stakeholders share responsibility for equitable financing of the system so that health care is affordable for all.

Many industry leaders, trade associations, and individual corporations have affirmed these or adopted similar principles and pressed for genuine and substantial health reform. We re-affirm these Principles, including the participation of all citizens (individual mandate) in the health system and call on companies and business leaders to publicly endorse the following six elements of the Affordable Care Act in order to achieve the desired outcomes of a healthier society and an affordable health system:

- The expansion of Medicaid to 133% of the federal poverty level;
- The creation of Health Benefit Exchanges in order to expand health benefit coverage;
- The requirement that all individuals have health coverage, and that all employers offer coverage;
- The creation of an essential benefits package;
- The establishment of medical loss ratio and premium rate reviews for insurers; and
- The funding of comparative and effectiveness research. ■