



**Testimony of Dr. John J. (Jack) Mahoney
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*Senate Committee on Health, Education, Labor, and Pensions
Chairman Edward M. Kennedy (D-MA)*

**Hearing on:
Prevention and Public Health:
The Key to Transforming our Sickcare System
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Good morning, Mr. Chairman, Senator Enzi, and distinguished committee members, I am Dr. John J. (Jack) Mahoney. Recently, I officially retired from Pitney Bowes. Prior to my retirement, I was the company's Director of Strategic Healthcare Initiatives. Today, I continue to work with Pitney Bowes on a consulting basis to assist the company in its advanced health care planning and wellness initiatives.

Pitney Bowes is the world's leading provider of integrated mail and document management systems, services and solutions. Pitney Bowes invented the postage meter in 1920, which enabled the post office to offer more convenient and secure postage payment at lower cost for business mailers. Today, Pitney Bowes helps organizations of all sizes engineer the flow of communication to reduce costs, increase impact, and enhance customer relationships. Starting in the mail and print stream, and expanding into digital documents, Pitney Bowes has developed unique capabilities for improving the efficiency and effectiveness of the communication flow critical to business.

I joined Pitney Bowes in 1997, as the Corporate Medical Director and the head of Global Health Care Management. Soon after I joined the company, our new Chairman, Mike Critelli, asked us to help him "rethink" our health benefits programs. Pitney Bowes has a tradition of offering its employees comprehensive health benefits. However, like many other companies, health benefit costs at our company were growing much faster than other costs. Similar to many other companies, we began to look for ways to control costs while maintaining employee satisfaction with our benefit offerings.

Like most businesses, we initially considered traditional cost-cutting techniques, such as cutting benefits or shifting more of the cost to the employee as a way to contain year-to-year increases in health care benefit costs. However, as we looked at the experiences of other companies, we quickly realized that their cost-cutting approaches did indeed generate savings for a year or two but, by year three, most of these businesses saw large increases in the cost of employee health benefits. By the end of the third year, all of the savings of the first two years had disappeared.

At Pitney Bowes, we wanted to design a program that would work over the long term – not just for a year or two. We started with the premise that health care benefits should be

about health, not just about treating illness. We asked ourselves, “If we are willing to invest in new computers and other new equipment to make our employees more productive, then why shouldn’t we as a company be willing to invest in the health of our employees to make them more productive?” It is true that this approach did not offer savings in the first year, or even the second year but, by year three, Pitney Bowes was able to achieve real reductions in the cost of employee health benefits.

Pitney Bowes has created health care programs that promote healthy behaviors. Our benefit programs are predicated on the belief that it is more effective to maintain health than to attempt to restore it. We believe that proper nutrition, appropriate levels of exercise, healthy lifestyles, and early detection, intervention and treatment provide opportunities for our employees to effectively manage their health. After much research, we implemented a strategy of linking voluntary, healthy behavior adoption to financial incentives. We built a platform called “Health Care University,” which enables participants to gain benefit credits for completing a health risk assessment or for participating in various kinds of wellness programs. This initiative exceeded our expectations in terms of employee satisfaction and improved the overall health of our employee base.

Like many other businesses, we also found that the cost of providing care to a small number of employees with chronic health problems accounted for a disproportionate share of our health benefit expenditures and a decline in productivity. We quickly learned that we could predict future costs by looking at population-level data from prior years. For example, we discovered that we were likely to spend over \$10,000 for hospitalization and emergency care of employees with diabetes who either did not use, or did not have, economical access to maintenance drugs. The solution was clear. We knew that we needed to modify our plans to reduce the likelihood that debilitating and costly health emergencies would happen in the future. In short, we needed to remove as many impediments to disease management as possible. Consequently, our company redesigned our benefit plans to reduce employee co-pays for brand- name chronic disease medications by between 50% and 85%.

As a result of these measures, we were able to reduce treatment costs for diabetic employees by 17% and treatment for asthma by 18%. Similarly, our focus on adherence to treatment plans reduced emergency department use by asthma patients by 30%, hospitalizations by 38% and disability costs by 50%.

More recently, we became aware of the many benefits associated with creating a positive work environment for our employees. As we renovated our World Headquarters, we reduced the number of walled offices and shrunk average offices sizes. We also largely eliminated desktop printers, copiers and fax machines, and replaced them with core area multi-functional devices. Taking these steps has created more exposure to natural sunlight for our employees and encouraged them to walk around more during the day, which we believe produces positive health benefits.

In addition to these changes to our employees’ physical space, we also altered meal options in our cafeterias to ensure that healthier food was more plentiful, lower cost, and

more easily accessible than less-healthy options. We also gradually reduced portion sizes for all meals to reflect the recommended healthy intake. For employees who have chosen to participate fully in our benefit offerings, the impact of these initiatives on wellness results has been tremendous.

I recognize that some may question company programs designed to promote healthy lifestyles, exercise programs, good nutrition and incentives to treat chronic disease – believing they are only words crafted by public relations departments. However, Pitney Bowes believes that a healthy workforce makes us more productive and better able to compete in the global marketplace. In fact, our health care costs per employee are 18% below that of our benchmark companies. One-third of our cost savings can be attributed to efforts to improve the quality and efficiency of care delivery, while two-thirds can be attributed to improving the overall management of chronic conditions.

We also believe our employees have a responsibility to “self-manage” their own health. However, employers have a responsibility to provide employees with the necessary tools. Pitney Bowes is one of the founders of an initiative called Dossia, a non-profit, third-party organization with members such as Intel, BP, AT&T and Wal-Mart. Dossia’s goal is to fund the development of a web-based framework through which U.S. employees, dependents, retirees, and eventually others, can maintain private, personal and portable health records, as a way of empowering individuals to pursue health and to reduce provider medical costs. Dossia’s premise is that we cannot overcome the health crisis in this country until Americans manage their health care.

Pitney Bowes has benefited from the *Employee Retirement Income Security Act* (ERISA), which grants self-insured companies like Pitney Bowes considerable latitude in developing new and innovative approaches to employee benefits and healthcare. Congress recognized that self-insured plans assume the risk of employee benefits and therefore have the greatest incentive to operate efficiently and economically. Eliminating this incentive by eroding the ERISA preemption could stifle innovation and creative problem-solving.

While government can, and should, play a role in helping those unable to afford or access health care benefits, employers have the most direct financial interest in creating and maintaining meaningful benefit programs. I am particularly concerned about Congressional proposals that purport to retain the employer-based health care system, but would, in fact, result in what insurers call terminal “adverse selection” for employer-based plans. These types of proposals could cause employment-based plans to disappear.

In summary, the key to Pitney Bowes’ success has been:

- viewing health care as an investment, not just another cost;
- developing good data;

- promoting and encouraging employees to adopt behaviors that maximize good health;
- recognizing that the least expensive product is not always the most cost effective; and
- recognizing that shifting more of the cost of some health care benefits on to the employee does not always save money in the long run.

Thank you again, Mr. Chairman, for your consideration of these comments. I would be happy to answer any questions that you or your colleagues may have.