



September 17, 2010

Secretary Kathleen Sebelius
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Secretary Timothy Geithner
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Secretary Hilda Solis
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

**Re: OCHIO-9992-IFC
Interim Final Rules for Group Health Plans and Health Insurance Issuers Relating
to Coverage of Preventive Services under the Patient Protection and Affordable
Care Act**

Dear Secretary Sebelius, Secretary Geithner and Secretary Solis:

Safeway is pleased to have the opportunity to comment on the new requirements under Section 2713 of the Public Health Service Act (PHSA), as added by the Patient Protection and Affordable Care Act.

Safeway is one of the largest food retailers in North America and operates more than 1,700 stores throughout the United States and employ more than 175,000 people. Despite rising health care costs, Safeway combined with its employees spends no more for health care today than we did 5 years ago. We credit the innovative re-design of our benefits program and our focus on prevention and wellness as key to our success in controlling health care costs. Our plans have offered preventive care covered at 100% since 2006, and we applaud the Administration's efforts to ensure that all Americans have access to preventive services.

We support the goals of PHSA Section 2713 and appreciate the guidance that the Departments have provided so far with respect to implementation of the provision. However, we are concerned that the Interim Final Rule for Group Health Plans and Health Insurance Issuers Relating to Coverage of Preventive Services (the Interim Final Rule) leaves several key issues related to plan design unresolved. We are particularly concerned that, without clarification, the rule could negatively impact employers with innovative health and wellness programs.

The widely-recognized goals of health care reform included finding ways to improve health care quality and lower health care costs. At Safeway, we strive to spend healthcare dollars wisely and in a way that gives patients incentives to be informed consumers and to choose the health care options that best suit their particular needs. We are concerned that without further clarification the Interim Final Rule may discourage innovative employers from continuing to use insurance designs that encourage employees to make thoughtful healthcare decisions that take into account both quality and cost.

The Interim Final Rule describes the authority specifically granted to the Departments in PHSA Section 2713 to develop “guidelines for group health plans and health insurance issuers offering group or individual health insurance coverage to utilize value-based insurance designs as part of their offering of preventive health services.” The Departments recognize that “[v]alue-based insurance designs include the provision of information and incentives for consumers that promote access to and use of higher value providers, treatments, and services,” as well as the “important role that value-based insurance design can play in promoting the use of appropriate preventive services.”

However, in the absence of the forthcoming guidance on value-based insurance designs, issues remain as to how such designs will be affected under the Interim Final Rule which will go into effect on September 23, 2010. We hope that the regulations requiring coverage of certain preventive health services will not be enforced a way that disrupts the programs currently in place or being developed at Safeway and at other companies and will be ultimately be clarified to ensure that such programs can continue. Safeway designed its coverage policy to keep costs in check while ensuring access to high quality care.

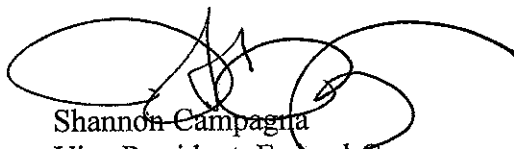
Here’s how our program helped keep costs in down on colonoscopies: Safeway analyzed paid claims data from 2006-2008 in a specific operating area and discovered that a colonoscopy costs anywhere from \$900 to \$7,200. That is an eight-fold variance. In order to encourage employees to become active consumers, Safeway allows up to \$1,500 for a routine colonoscopy for individuals living in the studied geographic area and provides employees with the names of providers who fit in that range. Employees have the ability to select the high-quality cost-effective provider of their choice, but if an employee elects to spend more than \$1,500 for a colonoscopy, that employee is responsible for the price difference. Prior to the implementation of this program, 30% of individuals in the studied area (16 of 53) incurred charges of over \$1,500 for a colonoscopy. After implementation, only 11% of individuals (8 of 74) incurred charges of over \$1,500 for a colonoscopy. The number of individuals obtaining a colonoscopy increased by 40% AFTER this program was implemented. Safeway saved an estimated 35% of potential cost by encouraging employees to shop for similar quality, yet lower cost colonoscopies. This is a pilot program but, given its success, we expect to expand it nationwide in 2010.

As an initial step in recognizing value-based designs, the Interim Final Rule allows “plans and issuers to implement designs that seek to foster better quality and efficiency by allowing cost-sharing for recommended preventive services delivered on an out-of-network basis while eliminating cost-sharing for recommended preventive health services delivered on an in-network basis.” However, further issues remain. While we believe that our program and

programs like it are consistent with the goals of health care reform, clarifying guidance on a number of issues would provide greater certainty. Without some clarification, we fear the Interim Final Rule could effectively thwart the ability of Safeway and other innovative companies to offer preventive care while continuing to incentivize employees to make smart health care choices. This would lead to higher health care costs with no corresponding increase in quality.

We hope the Departments will consider the impact of new rules on wellness programs like Safeway's as you continue to develop guidance on value-based insurance design.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shannon Campagna', with a large, sweeping flourish extending to the right.

Shannon Campagna
Vice President, Federal Government Relations
Safeway Inc.