

Best Wishes for a Healthy New Year

Implementing the Affordable Care Act

As 2013 was being rung in around the world, a weary U.S. Congress continued to haggle over the bloated federal budget, searching for ways to raise money to pay our nation's debts without further endangering the financial security of millions of Americans still reeling from the 2008 financial crisis. A key component of these discussions is finding a way to provide health care services for all our citizens while reining in the escalating costs of those services and their crippling impact on our economy. The Council of Economic Advisors reports that health care costs currently account for 18 percent of GDP and is on track to almost double to 34 percent by 2040.

The Patient Protection and Affordable Care Act (PPACA), passed in 2010 and in the first stages of implementation, contains meaningful provisions for cost containment. The health care system is so enormous and the challenges so numerous and ever-evolving, it is likely that in its implementation the need for further reforms will become apparent. But it has become abundantly clear that changes are urgently needed to fix our current broken system. Said Colleen Scanlon of Catholic Health Initiatives, "We believe that in complying with and actively promoting the benefits of the new legislation, particularly the coverage expansions, companies will be doing their part to increase the access and affordability of health care services for all. Further, as investors and, some of us, representatives of the health care sector, we can work with other stakeholders to advance new models of health care delivery that provide high-quality, coordinated care and achieve the goals and efficiencies the bill espouses."

ICCR member engagements on issues of domestic health span four key sectors: pharmaceutical companies; medical insurance providers; medical device manufacturers and, as employers of large workforces; big box retailers and key companies in the hospitality sector. Across all sectors, the ICCR domestic health group has identified three overarching goals for its 2013 engagements:

- Assure corporate commitment to quality, affordable health care for all and alignment of public communication/education.
- Encourage cost effective practices and exploration of new business models for health care companies.
- Encourage employers to cover their employees and educate about and foster enrollment in available plans.



Eager to understand how the companies they are engaging are working to achieve these goals, in September, members sent letters to 19 health-related companies in their portfolios (see text box page 5). The companies were asked to report back on their activities in support of PPACA fundamental goals of access, quality and affordability and, importantly, to explain how these activities were being advanced by their membership in trade associations, by their political contributions and through their lobbying activities.

Said Tom McCaney of the Philadelphia Area Coalition for Responsible Investment, "We were seeing press reports about health care companies that were found to be underwriting anti-ACA activities while, in their conversations with us and in public messaging were affirming their support of reforms. As investors, we want to ensure that our companies aren't inadvertently financing campaigns that directly contradict stated goals, as that can have clear and serious ramifications for brand integrity and, ultimately, share price."

"In most cases the responses helped to affirm what we presumed about our companies' positions on these issues and, in several cases, surpassed our expectations," said Sr. Ruth Kuhn of the Sisters of Charity of Cincinnati. "At the very least, we have a more refined framework for our engagements going forward and a benchmark of their performance on these specific measures."

In the adjacent follow up letter, the group renewed its call for health care companies to assume their leadership role in the current health care system and to help us all live into our personal resolutions for a healthier new year.

An Open Letter to Health Care Companies from Your Investors

We write to you as members of the Interfaith Center on Corporate Responsibility (ICCR), an investor coalition with representatives from the health care industry, faith-based communities and socially responsible asset management companies and, importantly, as shareholders in your companies. As many of you know through our long-term engagements with your management, ICCR members have been advocating for the equitable access and affordability of health care for over 20 years. Through letters, shareholder proposals and dozens of private meetings with management, we have consistently called upon industry leaders to publicly declare their support for a more just and equitable system that ensures health care for all.

We regard health care as an immutable human and civil right, and work to ensure that all Americans will have security in times of sickness as articulated by Article 25 of the UN Universal Declaration on Human Rights.

With the closing of a presidential campaign featuring health care reform as one of its central and most divisive themes, we are eager to see members of the industry now pull together to help implement the key aspects of health care reform. Prior to the election, ICCR members sent letters to 19 companies in the pharmaceutical, health insurance and medical device sectors including Pfizer, Johnson & Johnson, Bristol-Myers Squibb, UnitedHealth Group, Humana, Baxter and Wellpoint, among others. Each company was asked to provide information in regards to: a) its programs and activities that support the goals of the Patient Protection and Affordable Care Act (PPACA) to expand access, reduce cost of care and improve health care quality, including public messaging that underscores the benefits of health

care reform; and b) its lobbying activities and support of trade associations (in particular those groups which participated in anti-health care reform messaging that would present conflicts of interest for our companies).

We received responses from all but one company and were generally impressed with both the level of detail provided regarding specific programs and the commitment to the spirit of the PPACA. While all the companies that responded cited the positive steps they were taking to improve access and affordability, some companies were indeed more intentional in their efforts to support the Affordable Care Act and its implementation and we want to commend them for their efforts.

As investors, we are deeply concerned about the long-term sustainability of our nation's health care system. We know that America prospers when we are healthy and able to work, when families are secure and our social fabric is strong, and when our elderly are provided for and able to retire with dignity.

We have witnessed first-hand what can happen when our most vulnerable citizens, the poor, the elderly and the chronically ill, are allowed to fall through the cracks of a broken health care system. As we implement this historic legislation, we will continue to look to you, the leaders of the health care industry, to help policymakers find the best solutions for our citizens and to help the industry renew its moral mandate to provide quality and affordable health care for all Americans.

HEALTH CARE COMPANIES THAT RECEIVED ICCR'S INVESTOR LETTER

- 3M
- Abbott Laboratories
- Baxter International
- Boston Scientific
- Bristol-Myers Squibb
- Eli Lilly
- General Electric
- Health Net
- Humana
- Johnson & Johnson
- Medtronic
- Merck
- Pfizer
- Roche/Hoffman-La Roche
- St. Jude Medical
- Stryker
- UnitedHealth Group
- Wellpoint
- Zimmer Holdings

