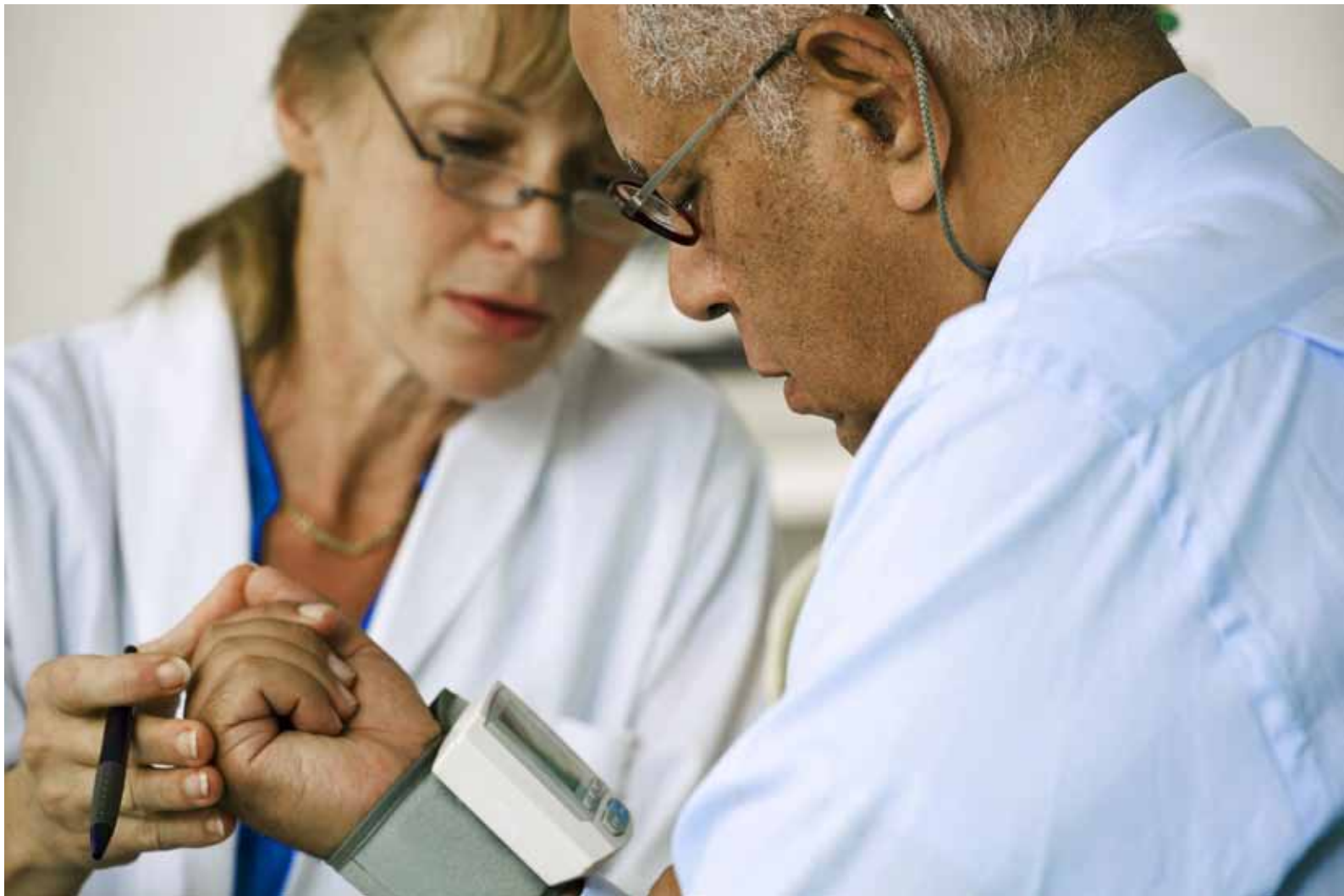


STATEMENT OF PRINCIPLES AND RECOMMENDED PRACTICES FOR CORPORATIONS ON DOMESTIC HEALTH ISSUES



About these Principles

These principles are an articulation of our positions on corporate responsibility regarding domestic health care, along with our recommended best practices. We welcome affirmation of these principles and practices by all stakeholders.

Interfaith Center on Corporate Responsibility
Working Group on Domestic Health Care
January, 2012



ABOUT ICCR

Currently celebrating its 41st year, ICCR is the pioneer coalition of active shareholders who view the management of their investments as a catalyst for change. Its 300 member organizations with over \$100 billion in assets have an enduring record of corporate engagement that has demonstrated influence on policies promoting justice and sustainability in the world.



Every person has the right to adequate health care. This right flows from the sanctity of human life and the dignity that belongs to all persons, who are made in the image of God... Our call for health care reform is rooted in the biblical call to heal the sick and to serve 'the least of these,' the priorities of justice and the principle of the common good. The existing patterns of health care in the United States do not meet the minimal standard of social justice and the common good.

Resolution on Health Care Reform, U.S. Catholic Bishops [1993]

The health of a society is truly measured by the quality of its concern and care for the health of its members... The right of every individual to adequate health care flows from the sanctity of human life and that dignity belongs to all human beings... We believe that health is a fundamental human right which has as its prerequisites social justice and equality and that it should be equally available and accessible to all.

Imam Sa'dullah Khan, The Islamic Center of Southern California

To be without health insurance in this country means to be without access to medical care. But health is not a luxury, nor should it be the sole possession of a privileged few. We are all created b'tzelem elohim -- in the image of God -- and this makes each human life as precious as the next. By 'pricing out' a portion of this country's population from health care coverage, we mock the image of God and destroy the vessels of God's work.

Rabbi Alexander Schindler, Past President, Union of American Hebrew Congregations [1992]

Of all forms of inequality, injustice in health care is the most shocking and inhumane.

Rev. Dr. Martin Luther King, Jr.

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.

Article 25 of the U.N. Universal Declaration on Human Rights

The system of health care in the United States is marked by fragmentation and uncoordinated care, misaligned incentives, insufficient transparency, and a lack of evidence of effectiveness.

Members of ICCR's Domestic Health Care group advocate for corporate and systemic reforms that will improve the access and affordability of health care services for all, including our most vulnerable citizens. We regard health care as an immutable human right and question the inequitable distribution of health care in America. Further, we view health care as a shared responsibility grounded in our common humanity.

The Business Case for Reforming Health Care

For the past two decades all segments of our society (individuals, businesses, and government) have recognized and decried three unsatisfactory conditions, and corresponding outcomes, of the US health system:

- A substantial portion of society lacks insurance coverage and consequently fails to access or utilize timely and less expensive health services;
- Our health as individuals, and as a society (health status) pales in comparison to citizens of other developed nations; and
- The costs born by individuals, businesses, and the collective nation are excessive and continue to escalate at a greater rate than any other shared responsibility.

The system of health care in the United States is marked by fragmentation and uncoordinated care, misaligned incentives, insufficient transparency, and a lack of evidence of effectiveness (health benefit and cost) across treatment options.

These findings were echoed by corporations with whom we dialogued across all business sectors (manufacturing, retail, service), and within the health care industry itself as well as public policy participants.

Specifically, our work focuses on the following domestic health care issues:

a) **Health Insurance**

Premiums: 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%.

Administrative Costs: Another factor affecting the level of premiums is the cost of administering a health plan. Some administrative costs (such as those for customer service) vary with the number of enrollees in a plan, but others (such as those for sales and marketing efforts) are more fixed. As a result of those economies of scale, the average share of the policy premium that covers administrative costs varies from about 7 percent for employment-based plans with 1,000 or more enrollees to nearly 30 percent for policies purchased by very small firms and by individuals.

Employee-Sponsored Coverage: In the US, employer sponsored health insurance covers about two-thirds of those under 65; it is a major component in our quest for healthcare for all. Unfortunately the proportion of uninsured workers is growing and part-time and low wage earners are disproportionately impacted. Employers in the retail and service sectors tend to have high proportions of workers who fall into these categories.

In the US, employer sponsored health insurance covers about two-thirds of those under 65; it is a major component in our quest for healthcare for all.

Undisclosed corporate spending through political and trade associations could prove to be supporting policy objectives that are in direct conflict with a company's stated mission.

b) **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, payments for two-thirds of the 15 best-selling drugs in the US rose by double-digit percentages in 2010. Examples included Lipitor, Plavix, Crestor and Singulair. Insurance providers are increasingly demanding evidence of a prescription drug's value beyond safety and efficacy.

c) **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.

d) **Industry Lobbying to Thwart Full Implementation of the Affordable Care Act**

Undisclosed corporate spending through political and trade associations could prove to be supporting policy objectives that are in direct conflict with a company's stated mission. Absent a system of accountability, we believe these undisclosed contributions may pose a reputational risk that will negatively impact shareholder value. We note the negative publicity around the reported \$86 million given by health insurers to the Chamber of Commerce, much of which was reportedly used to oppose health care reform.



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; and
 - 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:

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

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....

Recommended Practices

Moreover, we call on all corporations to support and implement the following identified Best Practices within their industry segments.

1. Health Insurance

- Redesign benefit models, provider networks, and payment models to increase access and limit premium increases.
- Limit administrative costs to no more than 15% of total premium costs, and set a goal for 10% of premium costs by 2020.
- Shareholders should encourage all companies they engage, specifically employers in the retail and service sectors, to offer employer based coverage.

2. Pharmaceutical Pricing

- Demonstrate concrete steps companies are taking to substantiate patient outcomes from the use of their pharmaceuticals, and apply comparative effectiveness data.
- Develop business models that are intended to increase access to medicines and address unmet needs.

3. Medical Devices

- Proper testing for FDA approval.
- Engage in comparative effectiveness research to ensure maximum product efficacy.
- Public support for the establishment of an effective Unique Device Identification system.
- Implement company donation program for indigent patients.

4. Health Care Reform Legislation

- Disclose all lobbying efforts, either directly or indirectly in the form of trade association or political contributions to ensure that they are not being used to undermine implementation of ACA.

We call upon the companies we hold, investor organizations, faith-based communities, health care systems and all our allies to endorse these principles and to share in the responsibility of providing affordable health care for all Americans.