SAFEWAY

July 30, 2012

Diana Dooley, Chair
California Health Benefit Exchange Board
2535 Capitol Oaks Drive, Suite 120
Sacramento, CA 95833

Dear Ms. Dooley:

On behalf of Safeway Inc., I write to provide comments in response to "Qualified Health Plan Policies and Strategies to Improve Care, Prevention and Affordability (July 16, 2012, Draft)."

Safeway Inc. is a Fortune 100 company and one of the largest food and drug retailers in North America based on sales. The company operates 1,666 stores in the United States and Canada. Headquartered in Pleasanton, Safeway is also one of California's largest private employers, providing around 60,000 jobs throughout the state. We operate grocery stores in California under the *Safeway*, *Vons*, *Pavilions* and *Pak 'n Save* names and own three regional distribution centers and nine food and beverage manufacturing plants in the state.

Safeway is a national leader in healthcare reform. Our success keeps our healthcare costs low while motivating our employees to improve their health. Our healthcare program was designed to focus on the most costly and preventable conditions that escalate healthcare costs. Specifically we have focused on tobacco cessation, weight management and heart health. Since 2005, our overall healthcare costs, adjusted for inflation, have been nearly flat. Perhaps more impressive are the results of our approximately 20,000 employees, who participate in the program. We've reversed the national trend of obesity, over 30 percent of our employees quit smoking, and nearly 70 percent got their blood pressure under control. Premium discounts for employees provided a strong incentive for employees to improve their health. We successfully lobbied for the inclusion of these employee financial incentives in the Affordable Care Act. We know this works from our own experience and hope others can utilize these tools—including the Exchange.

I applaud the inclusion of prevention and wellness programs within the design of the Exchange. We know from our own experience at Safeway that properly implemented wellness programs can have long-term, beneficial results if incorporated into the Exchange for the entire State. In addition to the individual benefit of healthier lives, wellness programs help keep costs low which for the long term success of the Exchange will be paramount.

Although I appreciate the Exchange's concern about the administrative costs associated with health assessment tools, our experience is that any upfront costs will be outpaced by savings in subsequent years. In our experience it is critical to include measured, not just self-reported data, in the health assessment tool. The tool then provides the needed awareness by the health plan member to begin or sustain healthy behavior. Further, the data the Exchange could collect and analyze will inform future Board decisions about the overall membership of the Exchange across Qualified Health Plans. We strongly believe in the importance of data in helping to create a healthcare plan and keep costs low.

Our wellness programs are voluntary and the same should be afforded to Exchange members. However, the premium discounts must be communicated to individuals clearly and early. The Federal law clearly allows for these financial incentives and they are a strong motivation for individuals. When individuals have more information about their healthcare plan and costs, they make better informed decisions that ultimately create savings. I appreciate the staff concern that if the Exchange dictates the provisions within a wellness program it may hamper innovation. However, we unequivocally understand that a handful of health issues lead to the majority of increased healthcare costs. I fear that absent a clear policy from the Exchange, many programs will only incorporate tobacco cessation. Although smoking does create many healthcare costs, obesity and heart health collectively contribute considerable costs as well.

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I am happy to discuss our experience at Safeway with each of you and your staff. We are a pioneer in this effort and have insights that we believe can be helpful. I realize the tight timeframe the Exchange is operating under and stand ready and willing to assist.

Sincerely,

Kent L. Bradley

Dr. Kent Bradley
Chief Medical Officer

cc: Peter Lee, Executive Director
David Panush, Director of Government Relations