

# Obamalitics: Healthcare

Ramsey Baghdadi

*Editor, [r.baghdadi@elsevier.com](mailto:r.baghdadi@elsevier.com)*

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# Obama: Defeat Internal Uprising



- 1) Keep liberals united
- 2) Concede to moderates
- 3) Win a few conservatives

Obama must defeat the Leviathan in his own party:

- 1) Social divisions
- 2) Rural vs. Urban
- 3) Coalesce powerbrokers
- 4) Divergent Interests

# The Political Labyrinth



## Political Minotaurs At Every Turn

**Abortion:** The amendment will prohibit federal funds for abortion services in the public option. It also prohibits individuals who receive affordability credits from purchasing a plan that provides elective abortions. However, it allows individuals, both who receive affordability credits and who do not, to separately purchase with their own funds plans that cover elective abortions. It also clarifies that private plans may still offer elective abortions.

**Public Options:** Medicare rates, negotiated rates, state opt-in/opt outs, co-ops, trigger option, no public plan.

**Mandates:** Individual mandates, employer mandates, shared responsibility, no responsibility.

**Medicare Cuts:** Medicare Commission, Independent Medicare Advisory Commission, Medicare Advantage competitive bidding.

**Death Panels:** House had language authorizing Medicare to finance beneficiaries' consultations with professionals on whether to authorize aggressive and potentially life-saving interventions later in life. The consultations would have been voluntary. Senate also had similar provision.

# The Real Health Reform Players?



Health Reform + Economy



# 1993 vs. 2009: It's About Survival



- A President can survive health reform failure, a Congress can not.
- House: Democrats went from 258 seat majority to 204 seat minority.
- Senate: Democrats went from 57 seat majority to 47 seat minority.
- Speaker of the House Tom Foley became first sitting speaker in over 130 years to be defeated.
- In 1992, 30 Democratic Governors. In 1994, 19 Democratic Governors.
- In 2009, House: 258 Ds, 177 Rs
- In 2009, Senate: 60 Ds, 40 Rs
- 2010: Small Losses or Big Losses?

# 1993 vs. 2009: Lessons Learned

- Act early while political capital exists.
- Let President outline framework, Congress fill in the details.
- Hold negotiating position to the very end, then strike the deal.
- President should intervene less often, more effectively.
- Set deadlines.
- Get legislation out of all five committees before August.
- Get Simple Majority in the Senate in order to get Super Majority in the Senate on votes for bill.
- Committee Chairmen matter.
- Extraordinary margins come rarely, capitalize on them when they do.

# Votes On The Fence: 6 of 8



# House Pharma Provisions

- Medicare Part D
  - Allows government to negotiate drug prices under Part D
  - Imposes Medicaid rebates for Part D dual eligibles
  - 50% discount on brand drugs in the coverage gap
  - Closes the donut hole after 10 years
- Public Option
  - Negotiated aggregated prices can not fall below Medicare rates
  - HHS will administer the plan
  - \$2 bil. in startup funds, no bailouts
- Follow-on Biologics
  - 12 years of market exclusivity
  - Requires clinical studies to prove bioequivalence
  - HHS/FDA can waive requirements
- Comparative Effectiveness Research
  - Housed within AHRQ, \$300 mil. for 2010-2012, \$375 mil. thereafter
  - CER commission, Clinical Perspective Advisory Committees
  - CER can not be used to make coverage decisions

# Senate Pharma Provisions

- Medicare Part D
  - 50% discount for brand drugs in the coverage gap.
- Medicaid Rebates
  - Minimum rebate increased from 15.1% to 23.1%
- Public Option
  - Co-op model: regional, consumer-run, governmental involvement but not government-administered plan.
  - State opt-out: public plan exists from the start, states can choose to opt-out.
- Medicare Commission
  - Appointed by President, confirmed by Senate.
  - 15 members: HHS, CMS, HRSA members.
  - Authorized to make cuts to Part D program, Make proposals to Congress to reduce Medicare spending that would be auto-triggered unless Congress rejects the proposal package.
  - 2015-2020 Estimated Total Savings = \$22 bil.
- Pharma Industry Fee
  - \$2.3 bil. per/year.
  - Collection of fees based on market share, not a tax on sales.
  - Better for small companies because company with some sales but significantly lesser market share would pay less under the model.
- Comparative Effectiveness Research
  - Public-Private research entity outside of HHS
  - ~\$600 mil. per year in funding after five years

# Beware: Still Pending



- **DTC Tax Deductibility Rescinded**
  - Emanuel knows it, scores as savings, bargaining chip for tradeoffs
- **Reimportation**
  - Unlikely, but always there. Ardent supporters in both the House and Senate.
- **FOBs Market Exclusivity**
  - Waxman HATES 12, No more Kennedy in House/Senate Conference. Will we see 7 or does Waxman walk away claiming health reform victory?

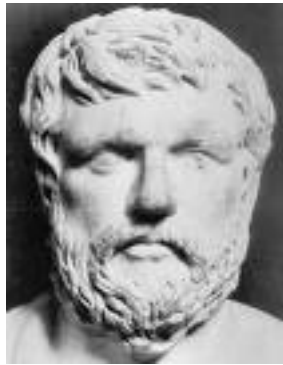
# Pharma's New Market?

- What does pharma get for \$80 bil. pledge to help pay for health reform?
- Senate Finance Committee calculation
- Take 15%-20% of projected future new business as a direct result of Finance bill and make that the industry "fee"
- Finance Committee used \$23 bil. in fees over 10 years.
- Senate Finance Committee has since disputed those numbers.

**\$115 Bil. – \$153 Bil. Gross Over 10 years**

**\$3.5 Bil. – \$7.3 Bil. Net Per Year**

# Know When To Exit



Xenophon  
Master of the Retreat

- **Administration Target Year-End**
  - What happens if debates goes past January?
- **Reconciliation**
  - RPM Report analysis has 57 “yes” votes in the Senate w/ public plan option.
- **Stripped Down Bill**
  - Medicaid expansions, FOBs, Donut Hole 50% discount, Sunshine provision, CER among other provisions that could survive.

# Final Prediction



**President Obama signs legislation in January**

- **Health Reform Bill Passes in December with 61 votes in the Senate, 225-235 votes in the House.**
- **Pharma \$80 bil. deal remains relatively intact.**
- **No Part D Rebates**
- **50% Donut Hole Discount**
- **Public Plan Trigger Option.**
- **Co-Op.**
- **FOBs Get 12 years of market exclusivity.**
- **Medicare Commission may not make it.**
- **DTC tax deductibility provision could be a late player.**