The 2008 Elections
And The Health Care Agenda

October 29, 2008
Dean A. Rosen, Partner
Overview Of Presentation

- Latest public opinion polls
- Presidential and Congressional election preview
- Health care reform and the elections
- Congressional health care agenda
- Outlook for health reform in new Congress and new Administration
The Political Landscape
Mood of the Country: Poor and Falling

Source: RealClear Politics, October 2008
Obama vs. McCain

Presidential Race in September 2008

Source: RealClear Politics, October 2008
2004 Presidential Electoral Map

Bush/Cheney 286  Kerry/Edwards 252

Source: RealClear Politics, October 2008
2008 Presidential Battleground Shrinking

Obama/Biden 306
McCain/Palin 160
Toss Up 72

259 Solid
47 Leaning
137 Solid
23 Leaning
72 Toss Up

Note: Click on State or Table Below for Latest Polls and to Change Status

Source: RealClear Politics, October 2008
Obama Pulling Ahead in Electoral College

Electoral College Polling Trend, Obama vs. McCain
July 1 – October 17, 2008

- Obama
- McCain
- Toss-Up
Senate Outlook: GOP Defending 22 Senate Seats (7 Retirements), While Democrats Defending 12

2008 Senate Map
GOP More Vulnerable in House Races to Watch

Democrats Hold 232-202 Majority in Current Congress

6 Competitive 25

7 Toss Up 16

Source: The Cook Report, October 2008
Competitive Races in Florida
Competitive Races in Florida

• Ric Keller, FL-8
  – Republican toss up

• Lincoln Diaz-Balart, FL-21
  – Republican toss up

• Tom Feeney, FL-24
  – Republican toss up

• Tim Mahoney, FL-16
  – Lean Republican

• Mario Diaz-Balart, FL-25
  – Lean Republican

Source: The Cook Report, October 2008
The Health Policy Landscape
Cost to Families

- Premiums more than doubled in a decade, reaching an average of $12,680 annually

- Middle class cost burdens expand number of uninsured
  - Health cost are a leading reason for personal bankruptcy
  - 81% of uninsured Americans live in working families

Source: KFF/HRET, Health Benefits 2008; Commonwealth Fund, 2008
Cost to Businesses

- Only half of small firms now offer health benefits
- Health benefit cost scheduled to exceed profits of Fortune 500 companies
- Businesses spend far more on health care than competitors
  - American auto health costs tripling competition
    - $1,600 at GM
    - $300 at Toyota

Cost to Government

Medicare and Medicaid Spending Will Double Over 10 Years

- 2007: $627 billion
- 2012: $850 billion*
- 2017: $1.2 trillion*

*Projected

Source: Congressional Budget Office, August 2008
Cost to Nation

Spending as a Percentage of GDP

Source: Centers for Medicare and Medicaid Services, February 2008
Economy Far and Away Most Important Issue in Choosing President

Health Care Much More Important to Democratic Voters

Percent saying health care most or second-most important issue

Democrats Focused More on Coverage, GOP Focused More on Costs

Which ONE of the following health care issues would you most like to hear the Presidential candidates talk about?

- Reducing the costs of health care and health insurance
- Expanding health insurance coverage for the uninsured
- Improving the quality of care and reducing medical errors

Source: Kaiser Family Foundation, October 2007
## The Obama Health Reform Plan

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Coverage</th>
<th>Subsidies</th>
<th>Insurance Market Structure</th>
<th>Government Programs</th>
<th>Employer Impact</th>
<th>Quality</th>
<th>Savings/Offsets</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barack Obama</td>
<td>Universal by 2012, with mandate for parents to buy children’s coverage</td>
<td>Federal subsidies for low income people to buy private insurance or public program coverage</td>
<td>National health insurance pool for employers and individuals, modeled on FEHBP. Government-run plan competes in pool with private health plans. Insurers cannot deny coverage based on preexisting health status. Benefit package similar to FEHBP, with prevention, maternity, mental health and other coverage mandated.</td>
<td>Expands Medicaid and SCHIP eligibility. Mandatory coverage for children.</td>
<td>Requires employers to provide coverage, contribute to private coverage, or contribute a percentage of payroll toward public plan. Some small business exempted. Federal government would reimburse employers or catastrophic costs.</td>
<td>Require provider reporting on costs, quality, errors, disparities. Require disease management. Pay for performance and dissemination of best practices. $10 billion per year for health IT. Independent comparative effectiveness institute.</td>
<td>Allow Bush tax cuts to expire for those earning over $250k. Limit malpractice insurance premiums charged to doctors. Allow Rx importation. Expand generic Rx. Allow Medicare Rx negotiation. Reduce Medicare Advantage payments.</td>
<td>$50-60 billion a year.</td>
</tr>
</tbody>
</table>
# The McCain Health Reform Plan

<table>
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<tr>
<th>Candidate</th>
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<th>Savings/Offsets</th>
<th>Costs</th>
</tr>
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<tr>
<td><strong>John McCain</strong></td>
<td>Tax incentives for individuals to buy coverage</td>
<td>Replace employer tax exclusion with $2,500 tax credit for individuals and $5,000 for couples to buy private insurance. Replace existing employer exclusion.</td>
<td>Allow people to buy insurance licensed out-of-state. Expand HSAs. Allow individuals to get insurance through associations and other organizations. Work with states to expand high risk pool programs and provide more affordable options for “uninsurable” individuals.</td>
<td>Veterans can use VA funds to get care from private providers. Change government program reimbursement to reward performance, coordination, prevention, and quality.</td>
<td>No mandates. Eliminates employer tax exclusion. Allows small business and self-employed to get association coverage.</td>
<td>National health IT standards. Government programs would reimburse on outcomes, coordinated care, and prevention. Require providers to make public information on outcomes, quality, and costs. Expand innovative delivery models.</td>
<td>End frivolous malpractice lawsuits and excessive damages. Protect doctors who follow clinical guidelines and safety protocols from lawsuits.</td>
<td>No formal estimate. Implies no new net spending.</td>
</tr>
</tbody>
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*MEHLMAN VOGEL CASTAGNETTI INC*
Obama v. McCain Health Plan

**Obama’s Health Plan:**
- Require large and medium size employers to provide health benefit or pay a fee
- Offer new options for the uninsured, including subsidies to buy coverage and a new federal plan
- Expand existing government programs that provide coverage to low income people
- Require insurers to sell polices to anyone who can pay
- Mandate coverage for children

**McCain’s Health Plan:**
- Provide tax credits of $2,500 per person, or $5,000 per family, to defray the cost of insurance
- Eliminate the tax exclusion for employment based health insurance
- Create high-risk insurance pools to cover people with pre-existing conditions
- Allow insurers to sell health plans across state lines
**Key Takeaways**

### Democrats
- Primary goal: increasing coverage
- Expanding role for government programs and employers
- Increase insurance regulation
- PhRMA, device, insurance industry scrutiny
- Modest malpractice reforms
- Similar focus on prevention, quality, care management
- Would expand programs and mandate children’s coverage

### Republicans
- Primary goal: reducing cost
- Tax reform
- Increased competition in individual insurance market
- Insurance deregulation
- Price and quality transparency
  - But McCain agrees with Democrats on importation and increasing access to generics
- Medical liability reform, including caps on damages
- Similar focus on prevention, quality, care management
- SCHIP and Medicaid status quo
A Look Ahead
• Senate Finance Committee
  - Holding health reform hearings, bipartisan health care summit, individual meetings

• Legislative markers introduced with bipartisan support
  - E.G., Wyden-Bennett

• Congressional Budget Office
  - Established health care advisory committee
  - Hiring a lot of health policy analysts
A Growing Chorus of Advocates and Interest Groups Calling for Health Care Reform
Outlook For Next Year

• **Must Do’s**
  - Medicare physician payment... again
  - SCHIP Reauthorization

• **Election-driven priorities**
  - Expand health insurance coverage beyond children
    - Displaced workers
    - 55-64
    - Other ?
  - Tax reform
  - Cost containment

• **Unfinished business**
  - Health information technology
  - Comparative effectiveness research
  - Follow-on biologics
  - Rx drug importation
  - Medicare negotiation and rebates
  - Oversight and investigations
Medicare Physician Payment History

Sources: Centers for Medicare & Medicaid Services, Congressional Budget Office, AAFP
House Adopts Pay-as-You-Go Rules: Changes Aim to Curb Deficit Spending, Shed Light on Earmarks

By Lori Montgomery, Washington Post Staff Writer

On its second day under Democratic management, the House yesterday overwhelmingly approved new rules aimed at reining in deficit spending and shedding more light on the murky world of special-interest projects known as earmarks.

Under the new provisions, the House will for the first time in years be required to pay for any proposal to cut taxes or increase spending on the most expensive federal programs by raising taxes or cutting spending elsewhere. And lawmakers will be required to disclose the sponsors of earmarks, which are attached in virtual secrecy to legislation to direct money to favored interests or home-district projects.
Entitlement Spending is Growing

FY70-FY00: Congressional Budget Office (CBO), December 2003 Long-Term Budget Outlook
FY05: CBO Budget and Economic Outlook, January 2006, August 2006
Entitlement Spending is Growing

- **Net Interest**: $265
- **Non-Defense**: $562
- **Defense**: $696
- **Entitlements/Mandatory Spending**: $1,789

**Source:** Congressional Budget Office, The Budget and Economic Outlook, An Update, September 2008

- **Social Security**: $701
- **Medicare**: $446
- **Medicaid/SCHIP**: $245
- **Other**: $398

**Total Medicare/Medicaid SCHIP:** $691 billion
Federal Deficit Could Hit $1 Trillion in 2009

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>FEDERAL COMMITMENT</th>
<th>BUDGET IMPACT</th>
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<tbody>
<tr>
<td>Feb. 13: Economic stimulus</td>
<td>$124 billion</td>
<td>$124 BILLION*</td>
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<tr>
<td>March 16: Bear Stearns sale</td>
<td>$29</td>
<td>NONE**</td>
</tr>
<tr>
<td>July 11: Indymac bank seizure</td>
<td>$9</td>
<td>$9</td>
</tr>
<tr>
<td>July 31: Mortgage insurance</td>
<td>$300</td>
<td>$2.7 (over 5 years)</td>
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<tr>
<td>Sept. 7: Fannie Mae and</td>
<td>$200</td>
<td>NEGLIGIBLE THUS FAR</td>
</tr>
<tr>
<td>Freddie Mac takeover</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept. 17: AIG takeover</td>
<td>$123</td>
<td>NONE**</td>
</tr>
<tr>
<td>Oct. 3: Wall Street bailout</td>
<td>$700</td>
<td>UNCLEAR</td>
</tr>
<tr>
<td>Oct. 3: Tax breaks added to</td>
<td>$110</td>
<td>$110*</td>
</tr>
<tr>
<td>bailout bill</td>
<td>$3.8</td>
<td>$3.8</td>
</tr>
<tr>
<td>YTD: Other bank failures</td>
<td></td>
<td></td>
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<tr>
<td><strong>TOTAL:</strong></td>
<td>$1.64 TRILLION</td>
<td></td>
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Additional spending proposals

- House Democrats’ stimulus plan: Up to $300 billion
- House GOP stimulus plan: No estimate***
- Obama’s stimulus plan: $175
- McCain’s stimulus plan: More than $50***

*Over ten years
**Actions of the Federal Reserve, which operates independent of the national budget.
***Neither House Republicans nor the McCain-campaign has provided full details of their proposals.
"We all know there is not enough money to do all this stuff. What they are doing is ... laying out their ambitions."

Sen. Jay Rockefeller (D-W.VA), referring to the presidential candidates’ healthcare plans