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Executive Vice President  
Strategic Initiatives

**The Anatomy and  
Physiology of  
Healthcare Reform:  
Taking Stock in  
American Political  
Theater...**



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The Metaphor...

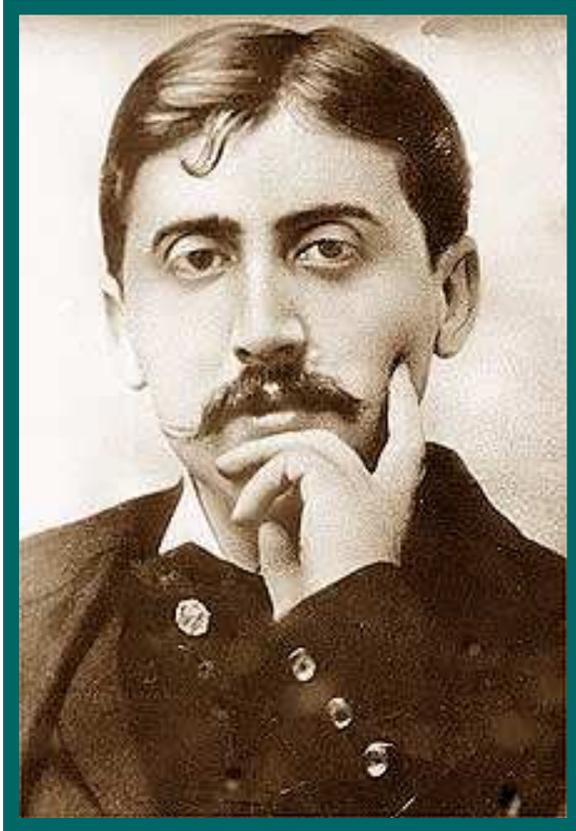
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## The Metaphor...

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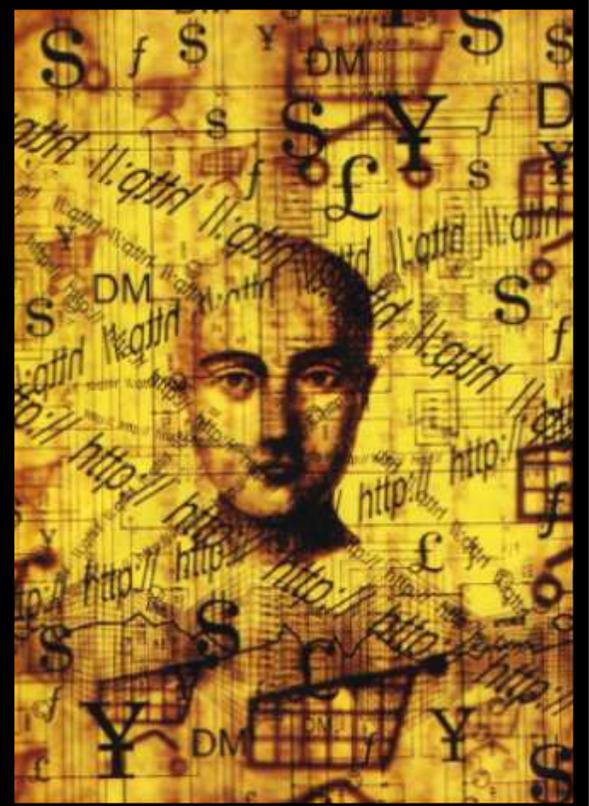
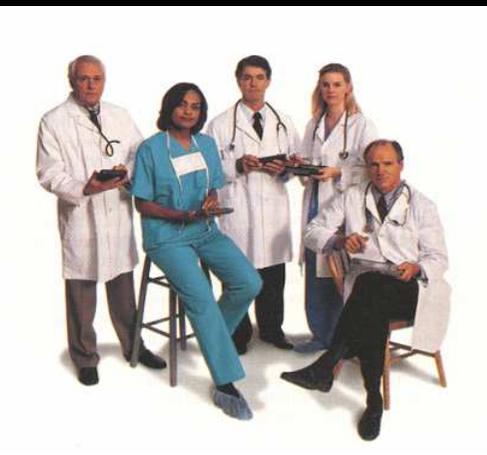
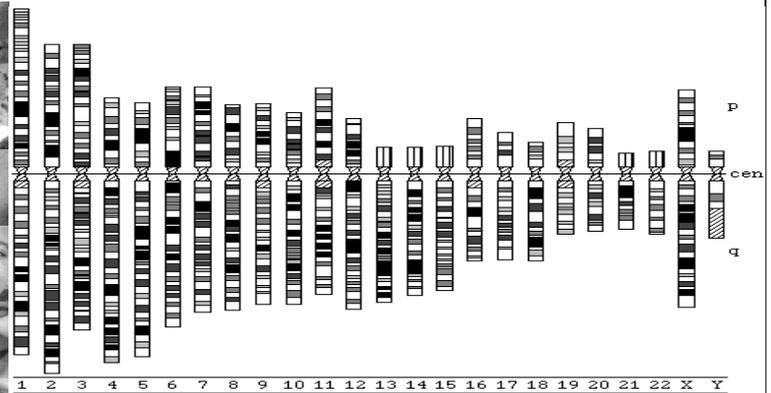
"The real voyage of discovery consists not of finding new lands but of seeing the territory with new eyes."

- Marcel Proust

# *A Story: The Woman and The Mountain*

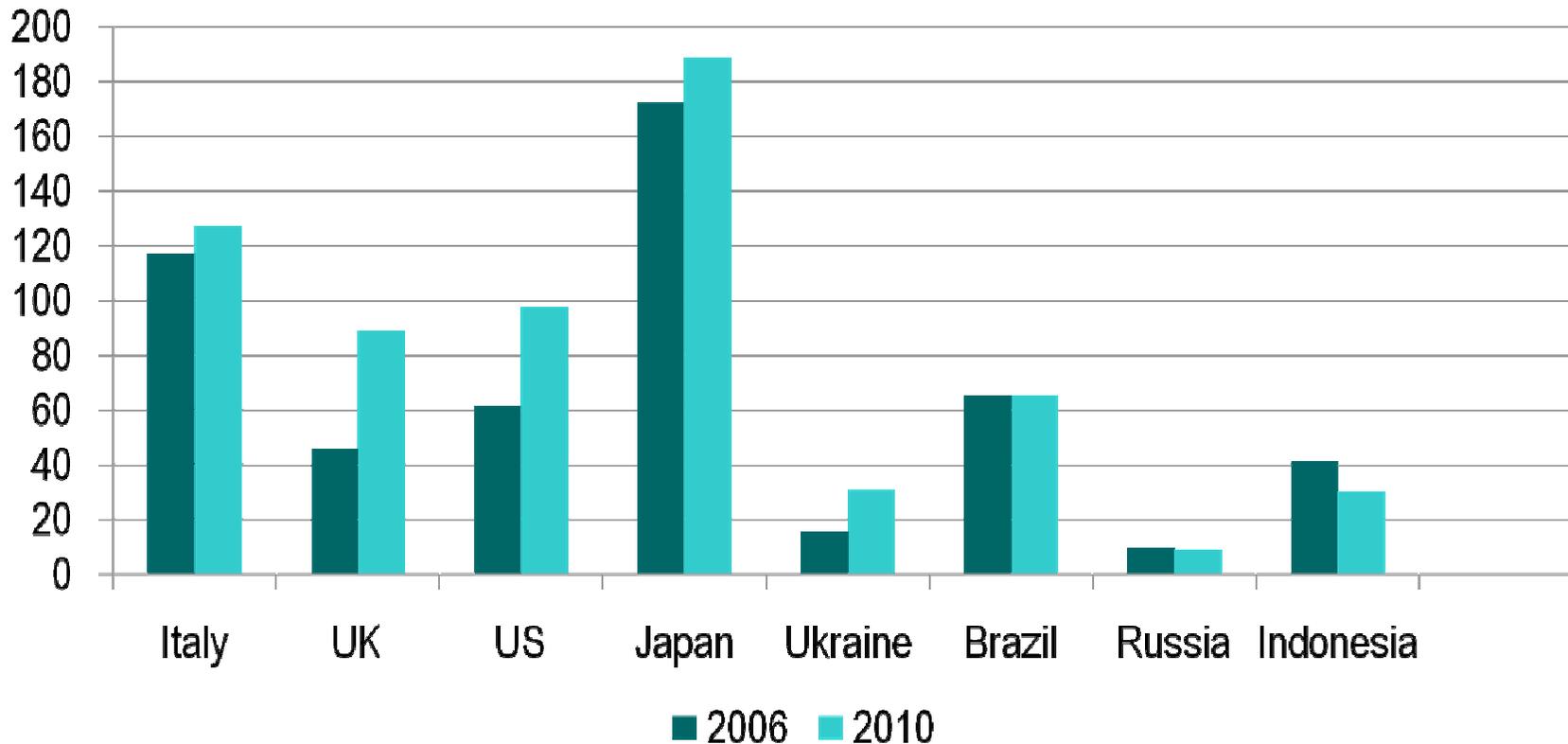


# The Domains of Change – in Healthcare...



# Debt as a Percent of GDP

As the Gross Public Debt increases as a percent of GDP, the *credit default swaps* – a measure of cost for insuring against defaulting on the debt – increases for nations of the world. The credit default swaps for nations with increasing debt has been very active in the last year with many banks prepared to offer protection in exchange for a fee. The fee has jumped significantly for developed countries in the last year...

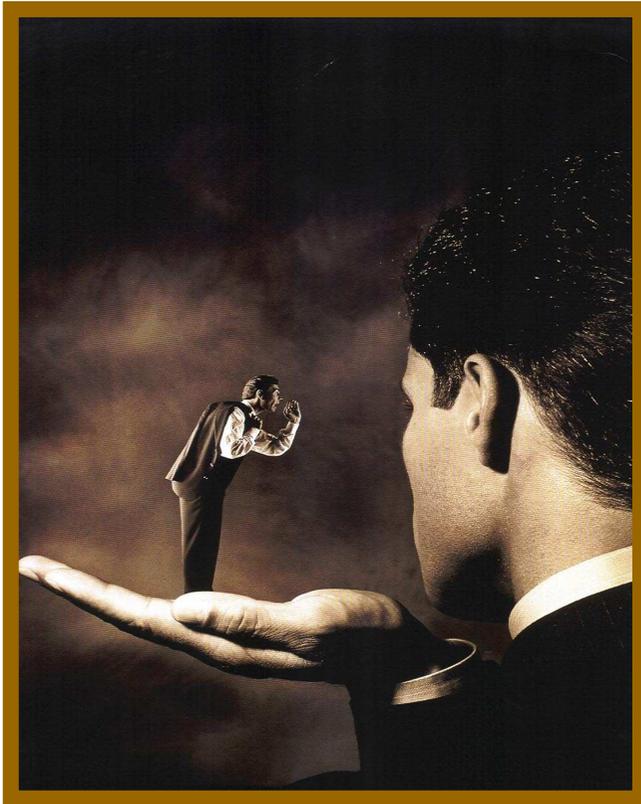


Source: *Financial Times*, November 23, 2009

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## The Premise...

- Society is demanding for all goods and services but – especially for health care – that we...
  - ↓ Costs
  - ↑ Quality
  - ↑ Service
- The inherent incentives of the health care industry are disparate, inconsistent and dysfunctional – causing leaders significant challenges
- Society is moving inextricably towards an information democracy rather than professionally dominated theocracy
  - = Focal point for health care change
  - = Appropriate management of information required
  - = Intellectual capital of medicine
  - = Simultaneously empowering (consumers) and disempowering (physicians)



**So...  
What is  
the *buzz*  
on  
Capitol  
Hill?**

# The Senate



Lincoln (D-AK)



Grassley (R-IA)



Stabenow (D-MI)



Collins (R-ME)



Leahy (D-VT)



McConnell (R-KY)



Kerry (D-MA)



Lieberman (I-CT)



Kennedy  
*An Institution*



Wyden (D-OR)



Snowe (R-ME)



Conrad (D-ND)



Reid (D-NV)



Rockefeller (D-WV)



Carper (D-DE)



Enzi (R-WY)



Baucus (D-MT)



Nelson (D-NE)

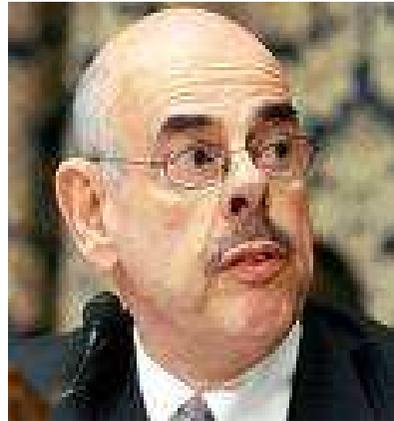


Dodd (D-CT)



Schumer (D-NY)

# The House



Henry Waxman



Eric Cantor



Jim Clyburn



Ed Markey



David Obey



Charlie Rangel



Nancy Pelosi



John Boehner



Steny Hoyer

# The Administration



Kathleen Sebelius



Nancy Ann DeParle



Shawn Maher



Rahm Emanuel



David Blumenthal, MD



Aneesh Chopra, MD



Peter Orszag



???

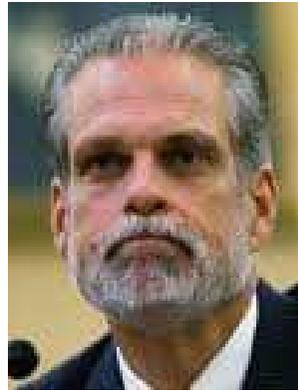


Phil Schiliro

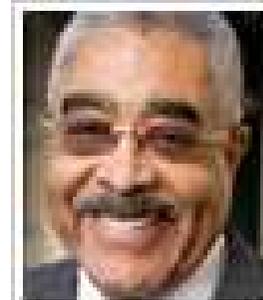


The Secret Weapon

# The Industry Advocates



The Doctors



The Elderly



The Hospitals

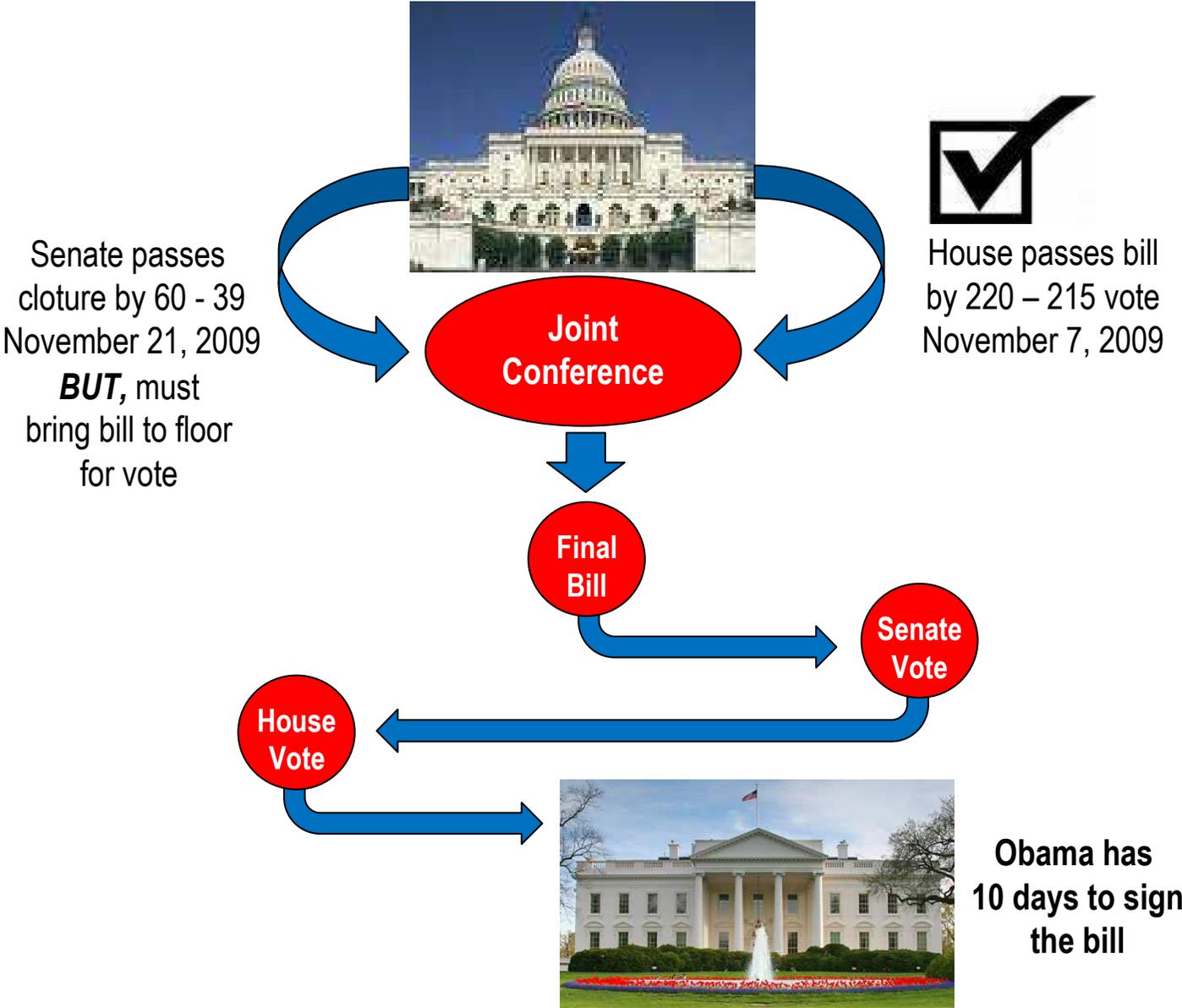


Insurance



Pharma

# The Healthcare Reform Hurdles...



## The Seminal Events...

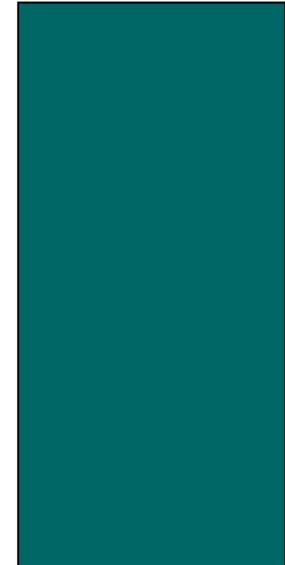
- Senate Finance Committee – October 13, 2009
- The House Bill – November 7, 2009
- Senate Cloture Vote
  - \$848B over 10 years including the *public option*
  - Deficit reduction of \$130B over same time period – largest of the proposals
  - Reduces uninsured by 31M, leaving 24M non-elderly uninsured
  - Covers 94% of the population – excluding unauthorized immigrants
  - Does not go into effect until 2014 versus House effected 2013 – ***leaving three years to make modifications and changes = tinkering...***
  - Leaves implementation to the states versus House creates the Health Choices Administration to manage on a central basis – increases complexity and uncertainty of the healthcare reform measures
- The Ensuing Debate

## Elements of the “Insurance” Program...

- Bans lifetime coverage limits and unreasonable annual limits
- Requires HHS to develop clear and comprehensive standards for disclosing insurance coverage clearly for consumers and requires insurers / self-insured plans to begin using within 24 months
- Provides grants to states to establish health insurance ombudsman or consumer assistance programs
- Requires insurers to justify “unreasonable” premium increases (to be defined by HHS) and provides grants to the states to review premium increases as well.
- Establishes a high-risk pool for people who have been uninsured for at least six months and who have a pre-existing condition

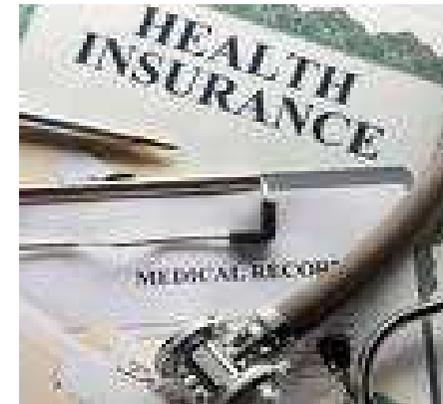
## And, the Exchange?

- House bill = provides a single national exchange
- Senate bill = each states establishes their own exchange or, can cooperate with other states to form a regional exchange
  - If a state fails or refuses to establish an exchange, HHS may either establish one itself or contract with a private nonprofit to organize.
  - Exchanges basically offer individuals and employees of small employers a choice of qualified health plans.
  - Both individuals and small groups can purchase insurance inside and outside of the exchange, but affordability subsidies are available only through the exchange.
  - The only Americans required to purchase insurance through the exchange are members of Congress and congressional staff.



## And, The Public Option?

- HR 3590 creates a public plan or, the community health insurance option
- National in scope and negotiates fees with providers.
- States may opt out of the public plan by passing a law, and CBO estimates that about a third will.
- Senate bill provides \$6 billion in federal start-up funds for cooperatives, although CBO projects that these will be ineffective and that only half the start-up money would be spent.



# A Comparison of the Senate and House...

Category	Senate	House
Individual Mandate	Includes a mandate Penalty begins at \$95 a year per person in 2014. \$750 in 2016, with a maximum of \$2,250 for a family.	Includes mandate. Penalty is a tax equal to 2.5 percent of adjusted gross income.
Employer Contribution	Does not require employers to offer coverage though company with 50 or more full-time workers would pay a \$750 per employee penalty if they do not offer coverage.	Requires employers with yearly payrolls of \$500,000 or more to offer coverage to employees.
Insurance Exchange	States have ability form their own exchanges. States could band together to create regional exchange.	Creates a national exchange. States could operate their own exchanges if desired.
Public Plan	Public plan negotiates rates with providers. States have ability opt out of public option.	Public plan negotiates rates with providers.



# A Comparison of the Senate and House...

Medicaid	Covers those with incomes below 133 percent of the federal poverty level.	Covers those with incomes below 150 percent of the poverty level.
Insurance Regulation	Premiums for elderly cannot be more than three times the cost for young adults. Does not strip insurance companies' antitrust status	Premiums for elderly cannot be more than double the cost for young adults. Does strip insurance companies' antitrust status
Abortion	Those that receive federal aid to buy insurance can enroll in plans that cover abortions. Public plan would cover abortions.	Those that receive federal aid to buy insurance cannot enroll in plans that cover abortions. Public plan would not cover abortions.
Illegal Immigrants	Can buy coverage from exchange, cannot receive subsidies to pay costs.	Cannot buy insurance from exchange.



# A Comparison of the Senate and House...

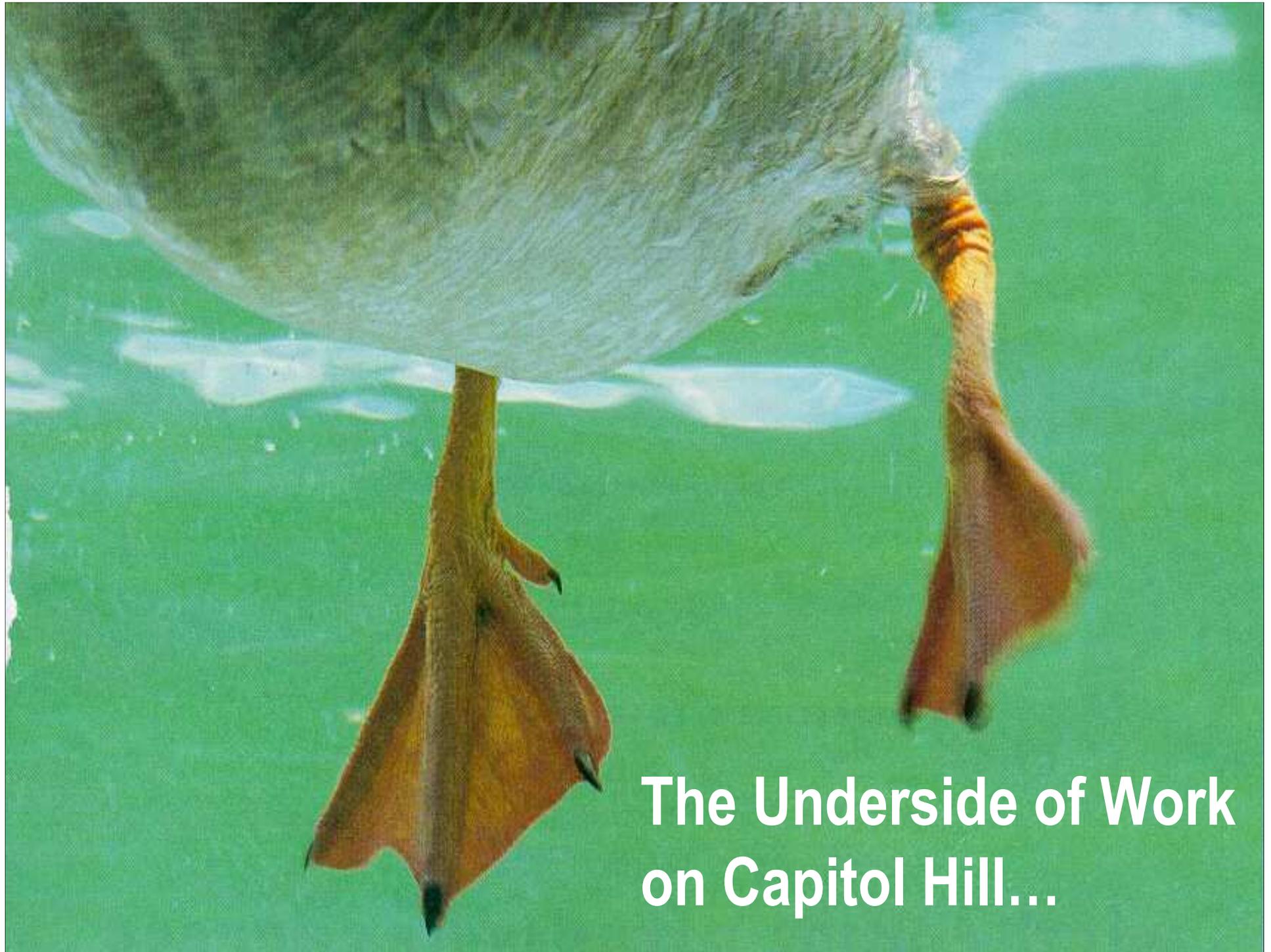
Total Cost and Coverage	\$849 billion. Will reduce deficit by \$130 billion. 31 million people gain coverage. 23 left million uninsured.	\$1.052 trillion. Will reduce deficit \$139 billion. 36 million gain coverage. 18 left million uninsured.
Taxes	<p>A 40 percent excise tax on “Cadillac” plans with premiums over \$8,500 an individual and \$23,000 for families.</p> <p>Annual fees on health care companies: \$6.7 billion on insurance companies, \$2 billion on manufacturers of medical devices and \$2.3 billion on drug makers.</p> <p>Cuts \$436 billion out of the Medicare growth</p> <p>Increases Medicare payroll tax rate from 1.45% to 1.95% for those making more than \$250,000 a year.</p> <p>A 5 percent tax on elective cosmetic surgery.</p>	<p>A 5.4% surtax on high-income people ( couples with gross incomes of more than \$1 million a year and individuals over \$500,000.)</p> <p>A 2.5% excise tax on the medical devices sold for use in the United States.</p> <p>Cuts \$404 billion out of the projected growth in Medicare and. Includes \$117 billion from cuts in Medicare Advantage plans.</p>



## But, we are up in the air...

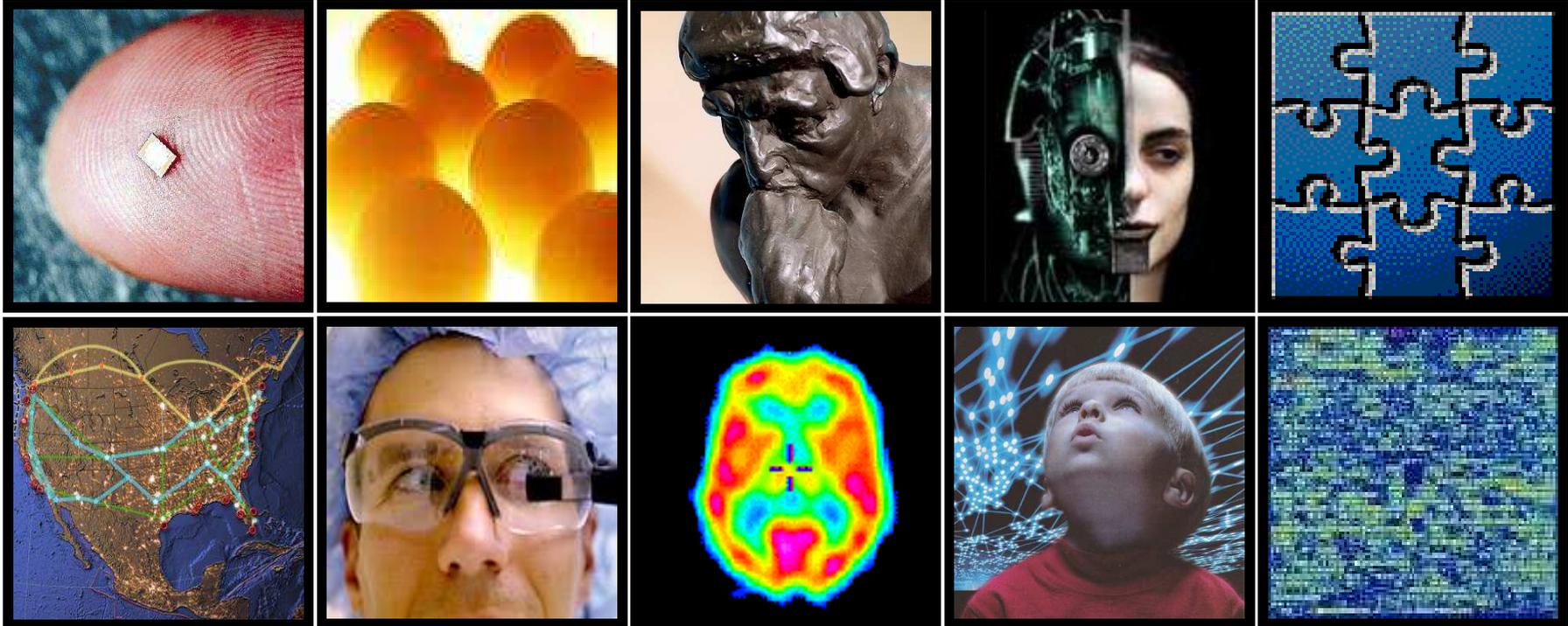
- Illegal Aliens...
- Choice...
- How to pay for it all...???
- The “Doc Fix” = \$210B passed by House (but opposed in Senate) to alter the January 1, 2010 payment cliff...
- CMS actuary projects increase of healthcare as a percent of GDP from 17.5% today to 21.1% by 2019...
- No delivery reform...
- No workforce reform...





**The Underside of Work  
on Capitol Hill...**

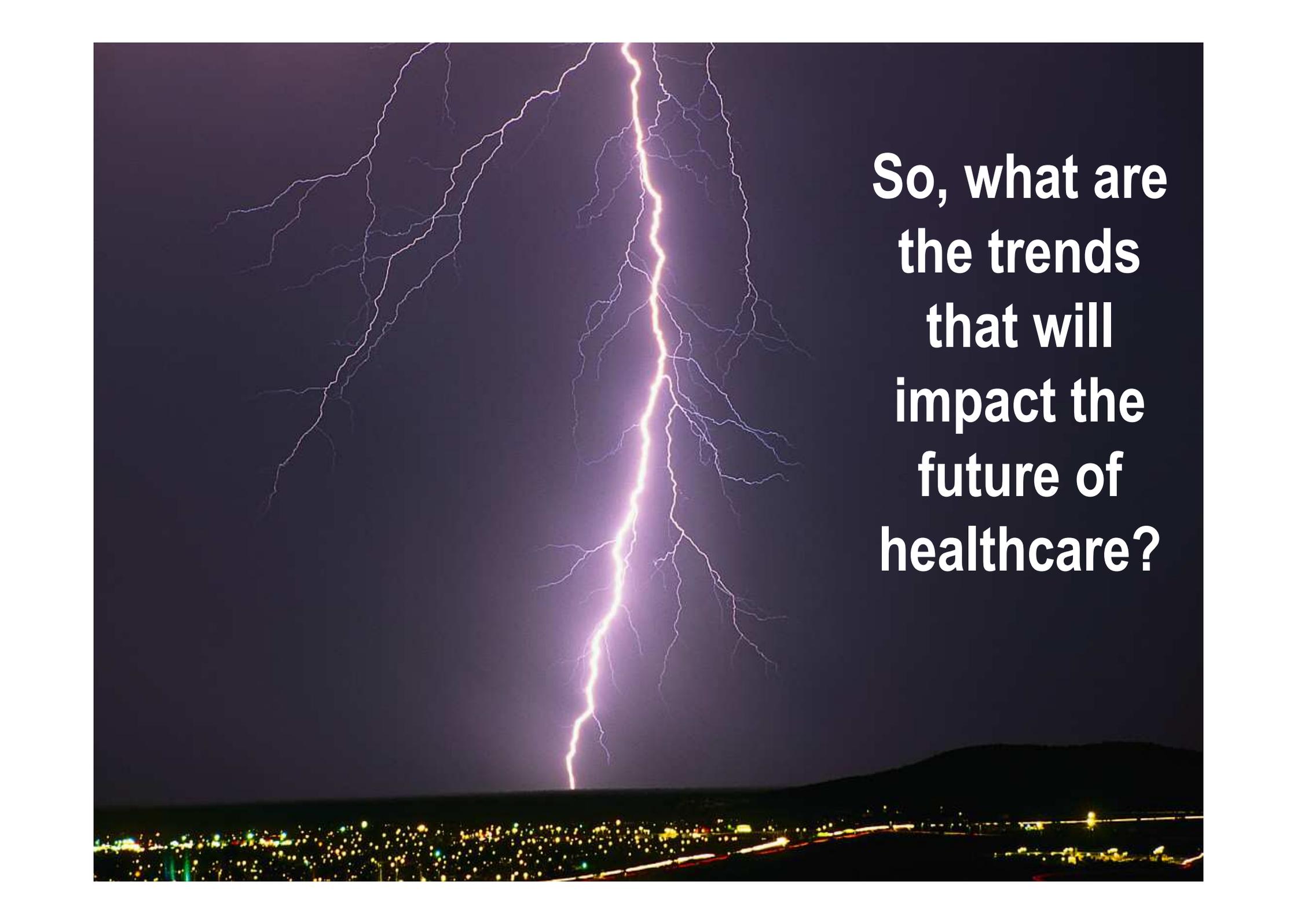
**Satisfaction** – when I want it...  
**Outcomes** – with the results I want...  
**Value** – at the right cost





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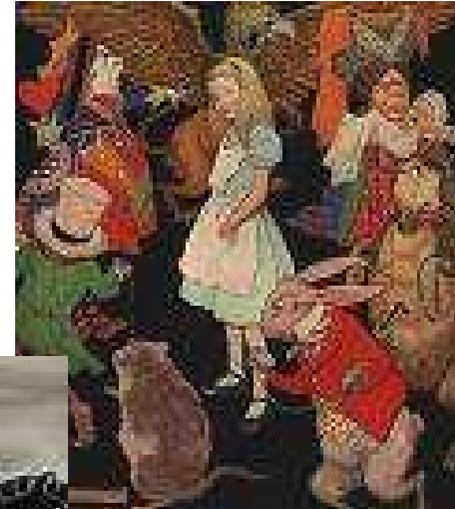
A dramatic night sky with a bright purple lightning bolt striking down over a city skyline. The lightning bolt is the central focus, with several smaller, branching bolts around it. The city lights are visible at the bottom, and the sky is dark with some clouds. The text is overlaid on the right side of the image.

**So, what are  
the trends  
that will  
impact the  
future of  
healthcare?**

"One can't believe  
*impossible things*"  
(Alice said).

"I dare say you  
haven't had much  
practice," said the  
Queen, "Why,  
sometimes I've  
believed as many as  
*six impossible things*  
before breakfast."

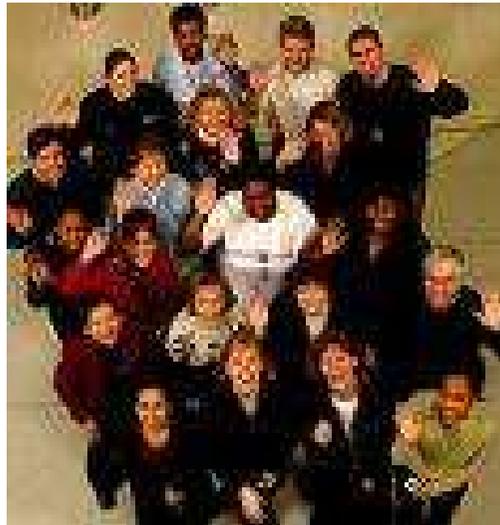
- Lewis Carroll



**The Cloud is anywhere...  
And, everywhere...  
For, whomever, whenever  
For whatever...**



# Virtual Education



# Workforce Globalization



# Globalization – beyonds our grasp...



# Peripheral Intelligence



# Bioaugmentation

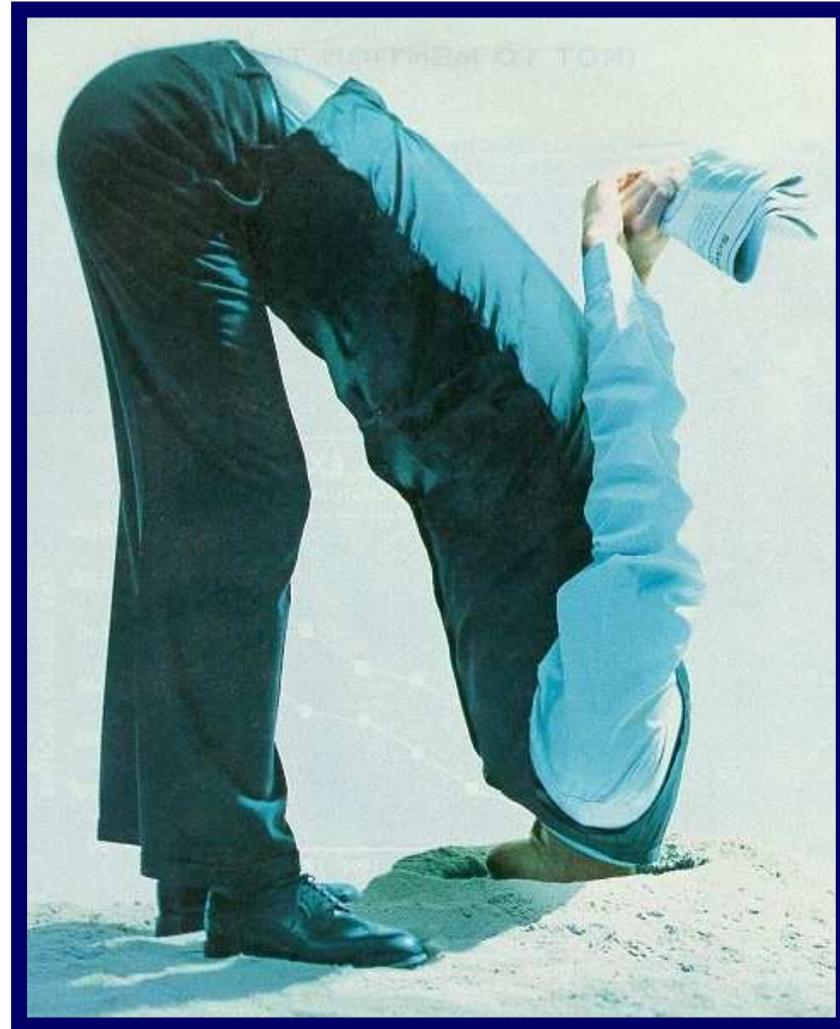


# Diagnostic Diffusion



## A Perspective on the New Millennium...

***Embracing  
the future:  
reaching for  
the reality  
beyond the  
rhetoric...***



# So...The World of Healthcare is Changing...



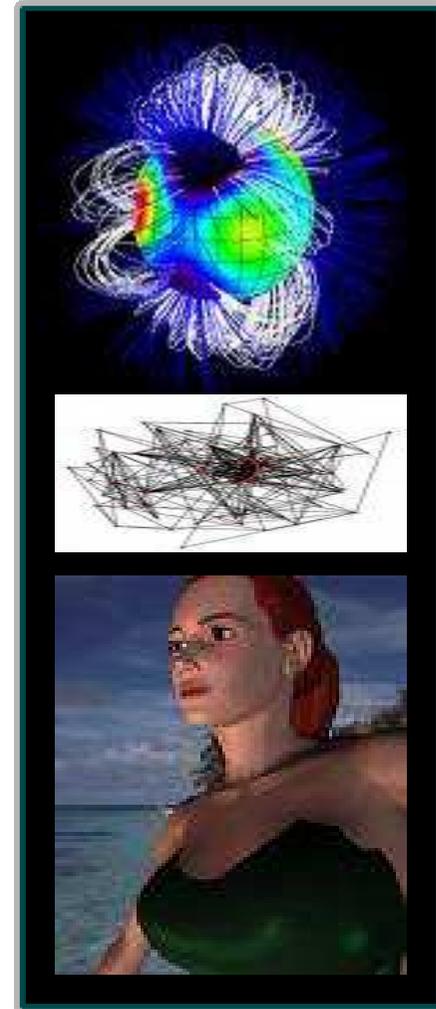
# The World of Healthcare is Becoming...



***Simultaneous***  
***not***  
***Sequential***

The World of Healthcare is Becoming...

*Networked and Virtual*  
*not*  
*Proprietary*



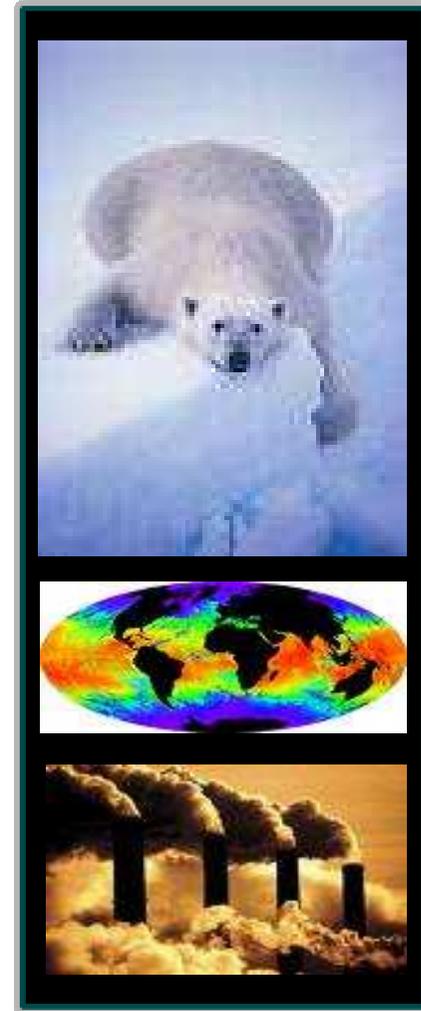
# The World of Healthcare is Becoming...



***Systems-Centric***  
***not***  
***Professions-Centric***

The World of Healthcare is Becoming...

***Global and Integrated***  
***not***  
***Sequestered***



**The World of Healthcare is Becoming...**

***Biological and  
Improvised  
not  
Mechanical and  
Orchestrated***

