



March 1, 2010

Hello all,

The following is this week's edition of the Dell Perot Systems *Weekly Washington Report*. Information and updates in this report include:

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- **The Good, The Bad, And The Ugly** – *The weekly saga...*

Quote of the Week

"...the [economic] crisis has shattered faith...they failed Keynes's test that it is better to be roughly right than exactly wrong."

The Economist, in a Feb. 13, 2010 special report on financial risk that has nothing to do with healthcare but seems to describe the current situation...

"I'm concerned about the future of the country. We face some major and gathering crises and we're not getting nearly enough done to deal with those challenges. Some of that is institutional, some of that is cultural – the way the place operates. Some of that reflects some attitudes of supporters of both parties."

Senator Evan Bayh (D-IN) who announced in February that he would not seek reelection in November's midterms.

Indicium Brevis VIII

Ongoing brief snippets of information for your consideration...

Impacting Policy – The Center for Public Integrity recently analyzed lobbying disclosure forms from the US Congress. The results showed that 1,750 companies and organizations hired 4,525 lobbyists – or, eight lobbyists for each member of Congress – to influence healthcare reform bills in 2009. Among those lining up to *share their opinions* were 207

hospitals, 105 insurance companies, and 85 manufacturing companies although an additional 745 trade, advocacy, and professional organizations trumped those individual healthcare organization efforts. And, the most visible groups? The American Association of Retired People deployed 56 in-house lobbyists, the US Chamber, 47; the Business Roundtable, 40; and the American Medical Association, 33 – but, those numbers do not include the external lobbyists they hired or the individuals who were mobilized for trips to Washington to *share their opinions*.

Impacting the Web – China hosts the world's largest number of Internet users, and their use soared nearly 30 percent last year to 384 million. The reason? Surfing the Web by mobile phone more than doubled last year. The 28.9 percent growth rate was below the incredible 2008 growth rate of 41 percent and remains the world's highest despite all the government controls we keep hearing about. Mobile phone use rose 106 percent to 233 million. At more than 1.3 billion people, the Chinese are going to impact the use of all mobile technologies – regardless of what their government says...

The Obama Healthcare Plan

Breaking down the key points of the White House healthcare blueprint...

On Monday, following weeks of speculation, the White House finally unveiled its long awaited proposal on the country's healthcare reform effort. Leading up to this week's Healthcare Summit at the Blair House, the Obama Administration sought to capture the momentum for what many believe is a sputtering healthcare reform effort. By releasing their proposal, the equivalent to a healthcare "wish-list," the White House stayed on offense by putting forward a package consistent with most of the basic ideas contained in the Democrat packages. In laying out his healthcare blueprint for the first time, President Obama has now officially kicked off the latest round of political wrangling intended to bring closure to what was once his top domestic priority. While the White House plan was touted as a clear proposal for discussion with the Republicans, it also provided a clear outline to both House and Senate Democrats on Obama's expectations should no Republican support be forthcoming – which is likely.

The Obama healthcare plan embraced many of the elements from the Senate proposal with the goal of finding common ground among policymakers on Capitol Hill. Though the vast majority of provisions have already been proposed and debated over the lengthy reform process, the White House added a new angle. The White House unveiled a new provision giving the federal government unprecedented power to regulate and prevent insurers from increasing premium rates. Coming on the heels of the recent 39 percent spike in premiums from Anthem Blue Cross, the proposed rate-review process would force insurers to post their annual increases publicly and give the Secretary of Health and Human Services or state insurance commissioners the ability to deny the rate hike. As a new idea that has yet to be analyzed by the Congressional Budget Office, White House officials are heralding the proposal as a way to control healthcare's escalating costs.

Aside from the new rate review process, the White House's blueprint includes provisions where points of consensus exist among many Democrats, including:

- *Patients Covered* – Like in the Senate's proposal, the White House plan covers 31 million uninsured Americans.
- *Insurance Mandate* – The White House plan requires nearly everyone to purchase insurance or to face a penalty. Like the House's proposal, Obama's plan exempts people

under the tax-filing threshold (\$45,295 for a family of four) while the Senate's plan exempted those under the federal poverty line (\$21,200 for a family of four)

- Coverage Reform – Similar to the House and Senate proposals, Obama's plan prohibits insurers from denying coverage based on pre-existing conditions while establishing the new rate review system to restrict excessive premium increases.
- Employer Coverage – Like the Senate's plan, the White House would not require businesses to offer coverage, but it would impose a fine on companies of 50 or more workers who fail to offer health insurance. The Obama plan increases the fine from \$750 to \$2,000 per employee.
- Medicaid – The White House plan broadens the federal-state Medicaid insurance program, covering those with incomes up to 133 percent of the federal poverty line (\$29,327). The so-called "Cornhusker Kickback" (giving Nebraska 100 percent federal funding for newly eligible Medicaid recipients) was deleted by Obama's plan, but the so-called "Louisiana Purchase" (giving Louisiana \$300 million in Medicaid funding) remained.
- The "Doughnut Hole" – The White House plan closed the Medicare prescription drug "Doughnut Hole." By adding an additional \$10 billion in fees to the pharmaceutical industry, Obama's proposal closes the gap entirely by 2020.
- The "Cadillac" Excise Tax – One of the more discussed aspects of the healthcare reform debate, the White House included an excise tax on high-cost insurance plans. Obama's proposal though scales back the plan from taxing coverage worth \$8,500 for individuals and \$23,000 for families to \$10,200 for individuals and \$27,500 for families, an estimated loss of \$120 billion over ten years. Additionally, Obama's excise tax proposal would be delayed from 2013 until 2018. This particular provision is likely to be the Achilles heel of the Obama plan because it reduces the available tax revenue to support the new health insurance program. Pushing off tax increases to pay for the proposal to a future President and Congress may make for good politics today but delays the inevitable fiscal problems associated with program expansion by pushing them into the future.
- Payroll Tax – To partially make up for the lost \$120 billion in the revised excise tax, the White House plan includes an increased Medicare payroll tax on investment income in addition to all wages for those earning more than \$200,00 a year individually or \$250,000 a family.
- State-Based Exchanges – The White House plan creates new state-based exchanges that allow small businesses, self-employed workers, and uninsured Americans to purchase coverage in groups.
- Public Option – To the disappointment of many liberals in Congress, the White House plan did not include any government-run insurance plan.
- Abortion – As the "elephant in the room," Obama's proposal mirrors the Senate bill where health plans have the option to cover the procedure but cannot use federal funds to pay for the service. Though exceptions would be made for incidents of incest, rape, and danger to the mother, states would have the authority to ban the coverage of abortions in their state-based exchanges if they desired.

Referred to as a "starting point" by White House officials, the Obama proposal is a step that 1600 Pennsylvania Avenue hopes will be the beginning of the end. A largely moderate package that includes a number of compromises, the plan brings forth a basic platform as the foundation for further reform of the healthcare system. In the aftermath of the theater, anticipate continuing clashes between Democrats and Republicans.

The White House Healthcare Summit

A Summit Stalemate at Blair House

While some viewed the summit as a good example of American political theater, I viewed it as weak. I remember very distinctly the true political theater of the Watergate Hearings where many of us hung on every twitch of Sam Ervin's eyebrows and where both sides of the aisle expressed dismay at the events. As the select group of Republican and Democrat lawmakers left Blair House last Thursday, it seemed the day ended precisely as it had begun. Through a seven-hour televised meeting that was aired live, neither side seemed to agree on anything. The divide seems to have left President Obama with little choice but to rally his own party to support some form of healthcare reform. The Summit was clearly a wake for a bipartisan approach. At this point, reconciliation is the only option left for Democrats.

Though seemingly well intentioned, Obama's Summit failed to create any sense of collective action. Instead, the day served largely as a soapbox for the key legislators to once again voice their opinion on a host of topics related to the healthcare reform debate. No votes were changed and no positions moved. President Obama's frustration was evident through the process along with his expansive understanding of the details under debate. I don't remember any prior President having such a command of the subject matter.

While the Summit was a gesture toward collaboration, the walk-away impression was "no way." Issuing a gallant effort, President Obama tried to unite Congressional leaders around the fact that the country's healthcare system is on a road to disaster and needs to be fixed. One item that seemed to draw the attention of the President was a proposal by Senator Tom Coburn (R-OK) who set forth his idea to create a set of undercover regulators posing as patients that would catch doctors and hospitals in fraud. Other ideas that seemed to garner widespread support were measures to extend dependent coverage for children. Though neither party exited the meeting feeling optimistic in the chances of working together to pass reform, the spotlight now shifts once again to the Democrats who are resigned to passing a health bill sometime this year.

Meanwhile, the House passed their proposal to strip the insurance industry's antitrust exemption this week, putting further pressure on the Senate to find a way to bring healthcare reform to a close. While the Healthcare Summit failed to produce any significant accomplishments on the issue that has dominated the country's domestic agenda for the past year, the meeting put Congress' reform efforts back on Page A1 of the newspapers. With the attention and limelight back on healthcare, the pressure is now on the Democrats more than ever to pass a final bill and resolve the issue. While it certainly will not be pretty, we can surely expect more theatrics in the coming weeks...

Bipartisanship: Washington's Endangered Species

This week, the Senate cleared a procedural hurdle to pass the chamber's jobs bill.

In 20 years, there's going to be a new trivia question: What is rarer in Washington, DC – two feet of snow at one time or an act of bipartisanship? And, the answer is? Well, you guessed it, bipartisanship. Strangely though, it doesn't seem funny now. In fact, it's sad. The true bipartisan politician is becoming the city's most endangered species. And with the vitriolic, often bitter, expressions in politics today, the lack of bipartisanship is clearly one of the primary reasons so many view Congress with such skepticism. With the rising debt, the

struggling economy, an every escalating cost for healthcare, and two wars being fought abroad – just to name a few of the problems facing the nation – the sentiment of many Americans is we’ve had enough. That is why it was such a breath of fresh air when the Senate passed the procedural hurdle of cloture this week on their jobs package. While some Republicans tried to block the measure, five members crossed party lines to work with their Democratic colleagues in passing cloture.

In a 62-30 vote, the Senate advanced the chamber’s \$15 billion jobs bill on Monday night. Centering on a payroll tax break for businesses that hire unemployed workers, an extension of unemployment benefits and subsidies for the jobless, the measure is deemed as one of the most effective ways to boost job growth by the Congressional Budget Office. In addition, the jobs package also contained two other major provisions. It extended the so-called “doc fix” so that the physicians will not experience the sharp drop in compensation for treating Medicare patients on Medicare as well as additional funding for roads and highways.

With “jobs, jobs, jobs” being the theme of both parties at this point in the recession, it was somewhat surprising to see a large number of Republicans trying to block the bill, particularly since it contained many of the measures desired by the GOP. With the US unemployment rate at 9.7 percent and our economy plowing through the largest downturn since The Great Depression, the GOP position that government spending has gotten out of control – a perspective held by a growing number of proponents on both sides of the aisle – is understandable. However, despite that issue, most economists and other observers of job growth believe that investing in ourselves is the best way to get the country moving again.

Led by the newly elected Senator Scott Brown (R-MA), four Republicans, including Senators Snowe (R-ME), Collins (R-ME), Bond (R-MO), and Voinovich (R-OH), joined their colleague from Massachusetts in voting for the Senate plan. We should be applauding these policymakers who put the good of the country over the partisan wrangling that is plaguing Washington. And in keeping with the tenor of the times, within the first few hours after the cloture vote, many conservative-leaning publications lambasted Brown and the others for working with Democrats to pass the jobs package. Such rhetoric and the political climate it creates is why many believe Washington is broken.

So, here comes my mantra you may be tired of: true reform happens from the *middle* in Washington, DC. As Americans, we pride ourselves on independence and freedom, but it is a great irony that when a policymaker voices independence and casts a vote against partisan bickering, he or she is shunned. Perhaps I’m mistaken, but it simply doesn’t make sense to me. As the snow covering Washington for more than two weeks finally started to melt, maybe we’ve seen the first initial thaw of a different kind with our leaders on Capitol Hill. Let’s hope so...

FDA Tackles 510(k) Process

The Food and Drug Administration convened a meeting to examine the medical device approval process.

An event largely overlooked because of the Obama Healthcare Summit, the Food and Drug Administration’s Center for Devices and Radiological Health (CDRH) hosted a meeting to discuss how to bolster the process for marketing medical devices. Known as the 510(k) process, FDA requires manufactures to register with the government and notify them of any intent to release a device into the market. The process allows the FDA to determine if the

device is similar to another product already being sold or if it is a new piece of technology that needs to be classified.

Listening to speakers representing various stakeholders in the device industry, the theme of the meeting was to establish that the current 510(k) process was not broken. Though they agreed the Center should be given more power to revoke the clearances of devices, most believe the process for Class II and Class III devices generally works well.

With the Institute of Medicine set to release their review of the 510(k) process next spring, the CDRH is beginning to work with the necessary stakeholders to bolster the government's role in this process. Action items the Center will likely take on during the coming year include examining risk data to create a new submission process, working with manufacturers to create a modified 501(k) submission system for new devices, and increasing the transparency and availability of public information with regard to approved devices. The revised process will be an important part of the healthcare device approval process as technology becomes a more central feature of the delivery process, and we all work toward perfecting our country's medical system.

Government Expands Role in Health IT

The Department of Health and Human Services announced the newly created position of Chief Privacy Officer while the White House called for a new health IT task force.

The Department of Health and Human Services (HHS) took another step to beef up information technology in healthcare security by announcing the creation of a Chief Privacy Officer position for the Office of the National Coordinator for Health Information Technology (ONC). Mandated under last year's American Recovery and Reinvestment Act, Joy Pritts, an attorney and professor at Georgetown University, was named to the position. Pritts, who conducted research for the school on the topics of medical information privacy and patient access to medical data, will be tasked with increasing the role of cybersecurity in healthcare and health information technology.

Meanwhile, this week the White House called for the creation of a government-wide task force to increase coordination of health IT between the federal departments that are carrying out plans to digitize the country's healthcare system. In a memo from Office of Management and Budget Director Peter Orszag to Health and Human Services Secretary Kathleen Sebelius, Orszag called for better support and coordination of IT infrastructure to in order to maintain effective implementation of last year's stimulus package.

The Good, The Bad, and The Ugly

The ongoing saga...

The Good: The Green movement in Iran continues to push forward. Recent protests have not only included demonstrations by the people but also have pulled in leaders like Mir Hosein Mousavi who was thought by many to have bested Ahmadinejad in the last Iranian Presidential election. He was also joined by Mehdi Karroubi, a reformist cleric, and Muhammad Khatami, the former President of Iran. While it may take decades, I've always had the perspective that the people eventually win in the final analysis. The same applies to healthcare reform...

The Bad: On Thursday, the House Ethics Committee found that Representative Charlie Rangel (D-NY), the Chairman of the powerful Ways and Means Committee, violated Congressional rules by not properly disclosing financial information related to trips to the Caribbean. The finding creates another ugly mess that Democrats must bounce back from as public opinion of the Democrats continues to erode.

The Ugly: In the ongoing recession, the lowest percent of federal debt as a portion of their respective budget deficits in 2009 was China (2.9 percent), Canada (3.0 percent), Brazil (3.1 percent), Germany (3.1 percent), and Italy (5.1 percent). The highest? Britain (14 percent), Greece (13 percent), Ireland (11.9 percent), Spain (11.3 percent), and the United States (10 percent). Except for Greece, all of those countries were on top of the heap just two years ago...

The Sentimental: EMI announced last week that it was intending to revitalize Abbey Road (the studio) with the investment of a third party. The sale of the venerable recording studio has been rumored in the last few weeks, but the British government prevented the spirits of Paul, John, George, and Ringo from going the way of other institutions by naming the studio as a national historic site. Many of us remember the first album released by the studio, [*Abbey Road*](#). The cover with the four Beatles walking across Abbey Road was taken on Aug. 8, 1969 and has become one of the most visited places in London. Despite mixed receptions in November 1969, the album went on to become one of the most fantastic ever released (or, so I believe with "Come Together," "Something, Octopus' Garden," "Here Comes the Sun," and all the rest...). As icons of my generation, it's nice to have the institution retained a bit longer or, at least until all of us boomers are gone...

For Past Updates and Twitter Thoughts

Keep those cards and letters coming...

For those who are sending in questions, please note that we are posting answers on *The Washington Report* Web site (see below). Keep those cards and letters coming. They are appreciated. For past editions of *The Weekly Washington Report*, go to: <http://www.perotsystems.com/MediaRoom/WashingtonUpdate/default>. Also, follow me on Twitter at <http://www.twitter.com/MDkev>. To email me directly, go to Kevin_FickenscherMD@dell.com. As always, more later...

Kevin Fickenscher, MD

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