



**Feb. 22, 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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- **Indicium Brevis VII** – *Ongoing brief snippets of information for your consideration...*
- **Health Reform: Back to the Future** – *Given the current environment, where can we expect healthcare reform to go? It all comes down to E-I-E-I-Oh-Oh – a less than objective view on what we need to do...*
- **HIT Policy Committee Relaxes Meaningful Use Requirements** – *In their monthly meeting, the HIT Policy Committee recommended relaxing the standards related to meaningful use criteria.*
- **Midterm Microscope** – *In a new ongoing series for The Washington Report, I examine the 2010 midterm elections.*
- **Battle at Blair House** – *This week, President Obama will host Congressional leaders at the White House Healthcare Summit. What is likely to happen at this important meeting?*
- **The Good, The Bad, And The Ugly** – *The weekly saga...*

### **Quote of the Week**

*"It is vital for our economy to change how healthcare works in this country. Don't let the American people go another year, another 10 years, another 20 years without health insurance reform in this country."*

*President Barack Obama speaking at a Nevada town hall event on Friday on healthcare reform and the economy – note the emphasis on health insurance reform, not healthcare reform...*

### **Indicium Brevis VII**

*Ongoing brief snippets of information for your consideration...*

**Startling Healthcare Statistics** – This week I had the opportunity to interview my friend and colleague, Dr. Michael Roizen of the Cleveland Clinic, relating to a project for perfecting our country's healthcare. A proponent of wellness and a *The New York Times* best-selling author, Mike shared some startling statistics that got me thinking about how we should focus our time and energy in regards to healthcare reform and the health problems facing our country. I'm coming to conclusion that we are nibbling around the edges of healthcare reform. These statistics speak for themselves:

- If we cure heart disease, we could save \$4.8 trillion over ten years. This figure includes both the direct costs (cost of physicians and other professionals, hospital and nursing home services, medications, home health care, and other medical durables) and indirect costs (lost productivity resulting from illness and death). For cancer, we will spend \$4.6 trillion over the same ten year period. Taken together, this represents about 1/3 of the entire healthcare expenditure.
- Wellness programs can save up to 75 percent of most medical costs.
- America's healthcare system is twice as expensive as Europe and three times as expensive as Asia. The reason? We have twice the amount of chronic disease, and 75 percent of chronic conditions are generated by four factors: 1) tobacco, 2) lack of physical activity, 3) food portion size, and 4) stress.
- 81 percent of hospital admissions and 76 percent of physician visits – at an average cost of \$6,031 per person per year – are due to people having one of the four conditions.
- In 2008, 20.6 percent of US adults age 18 and over – about 46 million people – were smokers. In 2007, the rate was 19.8 percent. The government goal was to reach 12 percent by 2010. We're going in the wrong direction!! Smoking is the leading cause of preventable death in the US, killing 443,000 people. By comparison, the rate of smoking hovered around 40 percent in the mid-1960s.
- Why has smoking increased by 1.2 percent? Well, here might be an answer. It seems that 99.7 percent of the Tobacco Funds received from the cigarette makers by the states are allocated to non-tobacco cessation projects (buildings, highways, and other state government projects). Only three states spend more than 10 percent of the money they receive from this source – which was intended for smoking prevention. The states are Rhode Island, Maine, and Delaware.
- The highest rate of increase for smoking is among teenagers. And, the activity most closely correlated to teen smoking? Watching movies where characters smoke!! Disney is the only film maker who now does not allow any smoking in its movies.

**Demise of the Landline** – Americans are giving up their landlines at the rate of 700,000 per month. If this continues, the last cord will be cut in 2025.

**Defensive Medicine** – Defensive practices represent about a quarter of all reasons for use of certain services. Defensive reasons were cited for 27 percent of MRIs, 24 percent of ultrasound, 22 percent of x-rays, 28 percent of CT scans, 18-20 percent of lab tests, and 30 percent of specialty referrals and consultations.

### **Health Reform: Back to the Future**

*Given the current environment, where can we expect healthcare reform to go? It all comes down to E-I-E-I-Oh-Oh – a less than objective view on what we need to do...*

Everywhere I go, people constantly ask me: So, where are we headed with this healthcare reform effort? In recent weeks, the mantra has changed to: So, will anything really happen? First, I'm learning that *Washington is an experience that can hardly be predicted*. Second, at the current rate of departure of various Members of the US Senate and House, we are increasingly facing the specter of wholesale change in leadership. Third, why are we waiting for Washington? The answer is in the trenches. You can do this!!

That being said, here are some thoughts on what we can expect over the next several months. Healthcare – regardless of the impasse in Washington, DC – continues to be the

elephant in the room as **the** long-term economic consideration for the United States. We are at 17.2 percent of GDP allocated to healthcare now. We are headed to +20 percent in the not-too-distant future. The question is **not** *if change will happen, but rather when it will occur*. The current state is not the steady state. The global economy is not going to go away. We are no longer the economic engine of the world. For the first time in probably a century, the United States is facing the “limit” of its resources. We need to make decisions, and unfortunately, Washington does not seem prepared to be the leader.

So, what is going to happen?

*#1: Expect some cherry picking of the legislative agenda which will occur in the middle.* Regardless of what Senate and House leaders decide on in terms of a course of action, I anticipate that practical House and Senate Members will pursue a bipartisan strategy. The American public has clearly had it with the partisan bickering. Solutions are not only wanted but demanded. Those solutions will be the *sliver solutions* I described last week. Don't expect the “big bang.” Rather, the areas where agreement is obvious will be presented as pieces of legislation. For example, I would expect that cross-state competition will be fostered and guaranteed issue or disallowing pre-existing conditions will be considered – among a host of more centrist options – which hold support on both the Republican and Democrat sides of the equation.

*#2: The states will assume a leadership role.* There is clearly residual momentum for making change in healthcare. The states stepped back when Obama was elected from my perspective because of his clearly articulated goal of national healthcare reform. However, in the face of no action, the states will clearly move forward. This is consistent with a general observation that the states represent the *laboratories of democracy*. We will now see more exploration, consideration, and implementation of alternative models at the state level. Given the pressure on their economies, expect new ideas to emerge. Actually, it will be “old” ideas that finally see the light of day...

*#3: Demonstration projects will assume added importance.* Over the last couple of decades, we've seen the use of “demonstration projects” by the Centers for Medicare and Medicaid Services (CMS) as a stimulus for promoting change. These changes are done through administrative fiat – not policy change. Many of the ideas embedded within the House and Senate healthcare reform bills can be accomplished via demonstration efforts at the state level. CMS has the authority to move the agenda forward, but it takes leadership. We should not expect the underlying bureaucracy to take the lead. However, could a CMS leader who knew they were going to be there for two years make a difference? Absolutely!! So, if the right leader gets implanted into the CMS structure – expect experimentation. If I was there, I'd push it hard!!

So, what's the E-I-E-I-Oh-Oh thing all about? Well, I believe that the drivers for change are: Economy, Infrastructure, Effort, Incentives, Organization, and Outcomes or E-I-E-I-Oh-Oh. Specifically, the **economy** projections are that the unemployment rate will continue at +6 percent through 2015, and 5 percent is considered full employment. We are currently at 9.7%. The deficit is projected to grow to more than \$8 trillion. Our **infrastructure** is crucial as the basis for supporting change. On the IT side, the Office of the National Coordinator is clearly moving the bar. Aside from home and public healthcare – which need further investment – the healthcare infrastructure is in fairly good shape. The IT investment will get us to the next level in terms of core capability. **Effort** is a more complex issue. By effort,

I mean leadership. I'm actually disappointed in the leadership emanating from healthcare. We are not stepping up to the plate. We must lead – not wait!! I discussed in my Report last week about how the American public trusts us and expects us to promote change, but we're not doing it. More on that issue later. **Incentives** are clearly a problem. My concern about the potential demise of a national healthcare reform issue relates to this core issue. We need to align incentives. We currently have a system that rewards providers and others to “do” things. We need to change the system to reward results and outcomes. **Organization** is a core issue in that we currently support a “mom and pop” operation in much of healthcare across the country. Despite the fact that we consume 1/5 of American resources, we are basically a disaggregated, dispersed, and disparate delivery organization. Except for the few notable exceptions – Geisinger, Kaiser, Aurora, and a host of similar organizations that come to mind – we do not provide coordinate, continuous, and cooperative care. That increases costs and reduces outcomes. We've got to promote change on this front. Finally, **outcomes** – at the end of the day – are the final mark of credibility. We need to create national standards and expect that we will all deliver to those standards, or even better, exceed them!! So, it is E-I-E-I-Oh-Oh!! Very simple. Very pragmatic. Very doable.

### **HIT Policy Committee Relaxes Meaningful Use Requirements**

*In their monthly meeting, the HIT Policy Committee recommended relaxing the standards related to meaningful use criteria.*

On Wednesday, the HIT Policy Committee reconvened for their monthly meeting in Washington to discuss a host of issues relating to “meaningful use.” Approving the recommendations from their work group, the committee called for a relaxation of the standards that providers must demonstrate to meet the “meaningful use” criteria of electronic health records. The committee recommended that the government abandon the former “all or nothing” method that was suggested in December. Instead, the group proposed allowing more flexibility related to meaningful use so that providers could defer meeting certain proposed guidelines between 2011 and 2013. The recommendation stipulates that providers must comply with at least one rule from each of the “priority areas” to meet the “meaningful use” guidelines and receive federal incentive subsidies. The one caveat was that healthcare organizations cannot defer on meeting the security requirements. The five priority areas defined under the recommendation are: care coordination, patient engagement, privacy and security, public health, and quality and safety. Finally, the committee recommended that certain measures remain mandatory for providers working to achieve “meaningful use,” including:

- Proving patients with electronic copies of medical instructions
- Recording patient demographics
- Sending prescriptions electronically
- Utilizing computerized physician/provider order entry (CPOE) systems

Overall, the recommendations made by the committee are an important step for supporting health information technology adoption throughout the country. By relaxing the proposed standards, the committee has provided smaller and less well funded healthcare delivery organizations a greater chance for participating in the federal health IT initiatives. While the organizations must ultimately achieve all the guidelines put forth by the government, the new flexibility will allow providers the ability to adopt the guidelines in a more affordable way.

### **Midterm Microscope**

*In a new ongoing series for The Washington Report, I examine the 2010 midterm elections.*

I couldn't believe it when I saw it on my computer. Evan Bayh (D-IN), the moderate, popular, way-ahead-in-the-polls Senator from Indiana was retiring? Can this be so? Unfortunately for all centrists, it was true. Bayh, in a shocking announcement last week, decided he had enough of Washington and announced he is not seeking reelection in November. A critically important vote for President Obama and Democrats in the Senate, Bayh's departure left the party in shock.

What is truly interesting about Bayh's decision not to run for reelection is that he – by virtually every measure – would have won the race. A largely popular candidate who was the state's governor and whose father was also a well respected politician, Evan Bayh was even a strong contender to serve as Barack Obama's vice presidential pick in the summer of 2008. On top of that, the Republicans over the past few weeks had struggled to even find a candidate worthy of challenging the two-term Senator. Though many insiders encouraged Representative Mike Pence (R-IN), the third most powerful Republican in the House, to run, he refused. While backing away from the Indiana Senate race, Pence is considering a run for President in 2012. Furthermore, he received the longest ovation and most cheers at the annual Conservative Political Action Conference in Washington, DC this past week.

But, back to Indiana. Many in the GOP are supporting Bayh's predecessor, former U.S. Senator Dan Coats, who served Indiana in the US Senate for a decade. Although Coats has high name recognition, he is a former registered lobbyist and, until recently, voted in Virginia! And, the anti-incumbent tea party movement leaders have not yet signed on for a Coats candidacy. Because of his continued work as a lobbyist, many view him as a carpetbagger who has spent his entire life in and around the political world.

Bayh's departure signals the evolving distaste for much of what Washington represents for an increasing number of politicians. As I have been saying for months now, the real decision-making comes from the center. With one of the most important moderates leaving the Senate, the 2010 midterm landscape for Democrats is fractured. Republicans, on the other hand, are beginning to sense that they could come close to winning back the majority. As healthcare reform, the rising debt, and the economy continue to be pressing issues for the American public, Democrats are facing the specter of what could be a very bad election cycle.

Looking at the election map, there are currently 36 Senate seats up for grabs in November. Republicans are optimistic of their chances to pickup spots in Delaware, Illinois, Indiana, North Dakota, Arkansas, Colorado, Nevada, Pennsylvania, and possibly California or Connecticut. By most accounts, Democrats meanwhile do not have many potential opportunities to win a Republican-held seat, furthering the notion that 2010 could be an enormous year for those on the right. While the GOP must win 10 or more seats to capture the majority, it is more likely that the Republicans will win somewhere between 6-8 spots to further close the gap with their Democratic colleagues. The upside of all these results is that it will be very clear to both parties that decisions must emanate from the middle in such an environment. The downside is that we appear to be entering a period of acrimony not seen in American politics since the 1880s. Political historians should correct me on this point if I'm wrong...

**Battle at Blair House**

*This week, President Obama will host Congressional leaders at the White House Healthcare Summit. What is likely to happen at this important meeting?*

As Congressional leaders from both parties prepare to meet ahead of this week's Healthcare Summit at Blair House – the official guest house of the President across the street from the White House – speculation is rampant on whether or not the meeting will be substantive or political theater. Guess which party thinks what result? On Thursday, the Obama Administration upped the ante by announcing they would put forward their own comprehensive healthcare legislation ahead of the meeting. Long criticized for not being specific enough in their goals for healthcare reform, the White House's decision to release such a plan puts President Obama front and center on the healthcare reform issue as one of his top domestic priorities.

The President will post his proposal Monday on [the White House Web site](#). It appears that the President's proposal will be a reconciliation bill that can be written as an attachment to the FY 2011 budget. Though neither Democrats nor any members of the House or Senate have yet to see the White House proposal, Administration officials have confirmed that it would insure more than 30 million Americans by 2019 with an estimated cost of \$900 billion. Additionally, the bill will require most of us to purchase insurance or suffer a financial penalty, ban insurers from denying coverage based on a pre-existing condition, and provide tax subsidies for the middle-class to help cover the cost of healthcare coverage. In terms of how to pay for the measures, the White House plan will likely mirror the Senate's proposed "Cadillac Tax" on expensive insurance policies while exempting union members from the policy. There are several wildcards that remain unresolved. Abortion policy is one of those issues. Many Blue Dog Democrats remain skeptical of any plan that includes funding for abortion. And, Republicans as a whole are almost uniformly opposed to the President's healthcare reform plan. So, despite the possible dialogue at the Summit, the tug and pull over healthcare reform continues. Though it seems that reconciliation is the option which Congress is now pursuing, many Members remain wary of the approach – especially with the 2010 midterm elections just around the corner.

Aside from the highly political issues of abortion and fractured dialogue between the Democrats and Republicans, two other issues will also impact Congress' healthcare reform effort. First, there is growing sentiment among Senate Democrats that the final bill should include some aspect of a publically-funded insurance plan. An option that was long thought to be dead, it is now regaining momentum. Pushed by the Progressive Change Campaign Committee, 17 Senate Democrats signed a [letter](#) calling for Senate Majority Leader Harry Reid (D-NV) to include a public option. Though it is unclear what the results of the effort will have on the final bill, it comes at a time of impasse and makes for interesting politics.

Second, a recent decision by the Commonwealth of Virginia to make the mandatory purchase of health insurance illegal creates a set-up for healthcare reform to move from the Congress to the courts if and when it passes. The policy passed the Virginia Senate where the Democrats are in control. So again, interesting politics. Many predict that in a court battle between the federal and state governments on this issue that the feds will prevail due to precedents. Still, the Virginia position illustrates the distaste many Americans have for the Congressional healthcare plan. As a swing-state in the last presidential election, Virginia's move could be a harbinger of things to come in the country's reform debate.

So, full circle back to the President's Healthcare Summit. It is an intriguing event and will require all sides to lay out their ideas. Whether or not it is groundbreaking is unknown at this point, but it's unlikely. Obama is clearly pressing the proverbial "reset button" on stalled negotiations. If we see more of what we've already seen from both sides, don't expect much. If we see more middle of the road proposals, all bets are off and healthcare reform might survive its sudden cardiac arrest following the Massachusetts election.

### **The Good, The Bad, and The Ugly**

*The ongoing saga...*

**The Good:** We are now more than a week into the 2010 Olympic Winter Games in Vancouver! So far, Team USA has done well with great performances from skier Lindsey Vonn, snowboarder Shaun White (what a performance!!), and ice-skating sensation Evan Lysacek. It's a nice interlude and refresher from the political theater of Washington, DC.

**The Bad:** Read my Indicium Brevis VII in this Report. As a former smoker, (I quit on Dec. 17, 1981 at 11:32 pm – a time and date I will remember forever) I'm a bit passionate about smoking, and the rates are going up in this country for the first time in more than 30 years. It's going in the wrong direction!!

**The Ugly:** Last week, Afghani, American, and Coalition Forces began waging a fierce battle in the town of Marja, one of the last Taliban strongholds. In the war in Afghanistan, the Battle of Marja is an illustration that this war is far from over...

### **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](mailto:Kevin_FickenscherMD@dell.com). As always, more later...

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