



**March 8, 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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### **Quote(s) of the Week**

"This bill, this giant bill, on health care – this asteroid headed towards Earth – is sitting in the House of Representatives."

*Senator Judd Gregg (R-NH), in comments on the Senate floor related to the Democrat plan to use reconciliation for moving healthcare reform forward...*

"At stake right now is not just our ability to solve this problem, but our ability to solve any problem. The American people want to know if it's still possible for Washington to look out for their interests and their future ... I don't know how this plays politically, but I know it's right. And so, I ask Congress to finish its work, and I look forward to signing this reform into law."

*President Obama speaking at the White House Wednesday and urging Congress to finish their work on healthcare reform.*

### **Indicium Brevis IX**

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

**The Axis Shifts!** – The 8.8 Richter Scale quake which hit close to Chile's second-largest city, Concepción, was so powerful that it was felt throughout the region, even causing a small effect on Lake Pontchartrain, Louisiana – nearly 4,700 miles away. Seismologists indicated it had shortened the length of the day by 1.26 microseconds and moved the earth's axis of rotation by 3 inches. It just shows how incredible Mother Nature can sometimes be...

**On the Healthcare Front** – As a healthcare person, I’m continually finding snippets of information that should get our attention and cause us to pause, including:

- Every 38 seconds, someone dies from cardiovascular disease number one. As America’s No. 1 killer, the two biggest causes of heart disease are? Smoking and obesity. As I said, last week, perhaps we’re focused on the wrong “reform” issues...
- In a [study reported in late summer 2009](#) from the University of Pennsylvania (I’m obviously behind on my reading), it was reported that those possessing a gun in an assault situation are 4.5 times more likely to be shot than those not possessing one. I know, this gets into one of those issues where emotion becomes involved, but if you’ve care for an 18-year-old kid who was shot by a handgun like I have, it brings up emotions as well...
- Anthem Blue Cross precipitated a rancorous debate on health insurance rates with its announcement of a 39 percent increase in California. Other proposed Anthem increases? Anthem (Connecticut) announced a 24 percent increase last year, which was rejected by the state. Anthem (Maine) had an 18.5 percent premium increase rejected by the state last year as being “excessive and unfairly discriminatory” but is now requesting a 23 percent increase this year. In 2009, Blue Cross/Blue Shield of Michigan requested approval for premium increases of 56 percent. Regency Blue Cross Blue Shield of Oregon requested a 20 percent premium increase. UnitedHealth, Tufts, and Blue Cross requested 13 percent to 16 percent rate increases in Rhode Island. Rates for some individual health plans in Washington increased by up to 40 percent until Washington State imposed stiffer premium regulations.

**And, The Economy** – The US unemployment rate held steady at 9.7 percent in February when employers cut 36,000 jobs – fewer than the 50,000 analysts expected.

**The Polls Can Change** – Prime Minister Gordon Brown, in a miraculous turnaround, seems to be gaining in the UK polls. The economic turnaround is contributing to a new polish on the Prime Minister. Many were predicting just weeks ago that the Tories would regain control. Perhaps they will, but it seems to be a more open game at this point.

### **March Madness Has Everyone Shaking Their Head**

*Obama’s final push for healthcare reform kicks off some “March Madness” in Washington*

Obama is a basketball player – usually, a couple of times a week. So, despite the fact that the annual NCAA College Basketball Tournament has not yet begun, the President is on point to lead another type of “March Madness” that is sweeping the city. With less than a month left before the self-imposed Easter deadline to pass healthcare reform, both the White House and the Democrats in Congress are going for a full-court press to finish the issue.

Speaking to an audience at the White House last Wednesday, President Obama reiterated his demand to pass healthcare reform. With a cadre of white-coated medical professionals standing behind him, his message to Congress was simple and concise – finish your work. Promoting his plan to overhaul the country’s healthcare industry, President Obama gave one of his most convincing speeches yet on the issue. He clearly wants to put to rest the healthcare reform issue, which has dominated the better part of his first year in office. Obama again requested that Congress move forward on an up-or-down vote on a healthcare bill and argued for the use of the reconciliation process.

Vowing to “do everything in my power to make the case for reform,” he continued his full-court press the next morning in a speech before Congressional Democrats. Hoping to align with the members in his own party, Obama is expending considerable political capital in a dash down the court to complete the reform he promised in his campaign.

So, will we see an [alley-oop](#)? Quite possibly. The good news for the President is that he seems to have some momentum on his side. After the reform process virtually broke down following the surprise election of Senator Scott Brown (R-MA), the White House seems to have regained some of its composure and is stepping up its plan to control any other fast breaks by the Republicans. The bad news for Obama is that history has a funny way of repeating itself. President Obama has been here before! Since I started *The Washington Report*, I can remember four or five instances where healthcare reform was reaching a grand finale. Points were tallied. The opposition was dragging its feet, but the lead sputtered away. Will we see it again? Perhaps...

We should expect in the coming weeks an intense White House public relations campaign to convince Democrats to side with the President on his plan. Just like the real [March Madness](#), Obama will be calling on all of his key players to come off the bench with a game clinching renewed energy to bring home a fourth-quarter – if not final second – win. Expect the secret weapon (aka [First Lady Michelle Obama](#)), Vice President Joe Biden, Health and Human Services Secretary Kathleen Sebelius, Chief of Staff Rahm Emmanuel, Special Advisor David Axelrod, and others to be unleashed to help seal the deal for the Administration.

We should also anticipate some critical horse-trading. With a midterm election approaching faster by the day, many Congressional Democrats are increasingly wary of supporting Obama’s plans for healthcare reform. The question they ask? What’s in it for me? Policymakers will request – and get – favors ranging from campaign finance support to a stump speech or two in their district to support from Administration officials to post-election appointments. During the next few weeks, keep a watchful eye out for “I-help-you, you-help-me” favors.

Finally, don’t pass over those seemingly less-notable Members of the Congressional Democrat leadership who will now move into key roles for passing the legislation. The limelight will shift to the House, and lesser-known Congressionals could make a big splash (remember Joe Wilson?). Speaker Nancy Pelosi (D-CA) and Majority Leader Steny Hoyer (D-MD) will be pulling out all the stops to gain Democrat caucus support for the Senate healthcare bill which will be the core of the reconciliation bill considered by the House. With the pressure on and the clock – and, the vote margin thought to be only one or two votes over the 51 percent margin – every Democrat vote is under scrutiny.

Just like the 65 basketball teams (NOTE: The NCAA may soon [expand the number of finalists](#)) who are preparing themselves to play on the biggest stage of their career, so the President and his team are entering the final quarter – if not minute – on the long road to healthcare reform. With a month left before the Easter Recess (or, about a minute in political time), those of us who are consumed by the game are on the edge of our seat. It’s game time in DC!! We will either pass reform or likely wait another decade for a moment when reform is possible. Is this package perfect? Absolutely not! Could we do better? Absolutely! Should we proceed? I think so. We’ve got to start someplace, and it might as well be now. After all, it is the time for March Madness.

## **A 51 Senate Vote for Healthcare Reform: To “Reconciliate” or Not**

*A look at reconciliation's not so distant past*

For those who have been following *The Washington Report* for the past several months, you are probably sick and tired of hearing the word *reconciliation*. I keep referring to it as the “nuclear option,” and it is. But, is it justified? Well, let’s consider the facts. Basically, reconciliation is a budgetary maneuver only used in the Senate whereby legislation passes with 51 votes instead of 60 – for budgetary considerations. At the moment, reconciliation is the sole option left for the Democrats to pass a comprehensive healthcare package. While Republicans and many others throughout the country will cry foul in using the procedure to force reform through Congress, reconciliation is actually used a lot more than most of us would think. We examined the history of reconciliation, and here’s what we found.

Reconciliation was created in 1974 as a result of the landmark Congressional Budget Act, which set out to define the Congress’ role in passing appropriations, which created the nonpartisan Congressional Budget Office (CBO). To put it in perspective, such everyday terms as *cell phones*, *FedEx*, and “*Watergate*” (plus, *Thisgate*, *Thatgate*, and *Othergate*) are all older than the reconciliation process but just by one year. It was a time of major transformation in Washington, and the allocation of money was one of the bigger issues at the time.

Used since 1974 to enact omnibus spending bills, with some modifications initiated by Senator Robert Byrd (D-WV) in 1985 (known as the “Byrd Rule”), the reconciliation process stipulates that any Senator can object to any element of a reconciliation bill if it is considered “extraneous.” Under the Byrd Rule definition, extraneous is defined as anything that *would increase the deficit for a fiscal year beyond those covered by the reconciliation measure*. While there are specific stipulations associated with the Byrd Rule, in effect, it allows a point of order to be raised against any spending increase or tax cut that does not include an expiration date as decided by the Senate Parliamentarian. So, long and short – it is used to control expenditures and deficit spending by Congress. So, if the healthcare reform package does not trigger the “deficit” question, the issue to be debated is whether or not the process can be used to pass the legislation. In effect, it’s a short way around the 60 vote margin required in the Senate to pass legislation. So, while many of the elements of the healthcare reform package could be passed through reconciliation, other, more contentious issues such as abortion and immigration would likely not pass muster.

Through the 35-year lifespan of reconciliation, the procedure has been used 23 times on a number of different bills, and healthcare is no stranger to the reconciliation process. In fact, the 1985 bill where Senator Byrd created his now infamous rule was titled the **C**onsolidated **O**mnibus **B**udget **R**econciliation **A**ct (COBRA), which included a measure establishing a new law allowing a person to keep their employer’s health coverage for a set period of time after they left their job. In fact, in the minds of most Americans – COBRA is tied to that concept, not the other stuff that is part of the reconciliation process. Two other reconciled bills that greatly affected US healthcare are the Balanced Budget Act of 1997, which created the Children’s Health Insurance Program – a program that insures nearly one in three children across the United States – and the Deficit Reduction Act of 2005, which allows parents of disabled children to buy into Medicaid. Anyone who says that reconciliation is not a mechanism for healthcare should probably check the history books – if, it is applied appropriately. And, that’s the question. What is appropriate?

But, even more intriguing is the way reconciliation has been used historically. Since its inception in 1974, reconciliation has largely been a Republican tool used to pass legislation. Republican Judd Gregg (R-NH) argues that 89 percent of the time it's been used was where bi-partisan support existed. But according to [The Heritage Foundation](#), once Republicans regained both the House and Senate in 1994 reconciliation was used nine times when the GOP controlled Congress. It appears it has only been used once for non-budgetary considerations. My fear is not the reconciliation process, but the residual acrimony between Republicans and Democrats following the process. It's been described as the "nuclear option." I agree with Senator Kent Conrad's (D-ND) point on the nuclearity of the issue. It's nuclear, but it continues to create an even further divide between Democrats and Republicans. We are moving to the extremes when the nation needs the middle ground. We need to resolve problems. And while reconciliation can accomplish the "task," it may very well foul the "playing field." So, enough of the March Madness metaphors. Let's see what happens and hope the American people win out.

### **Principles over Politics?**

*The interesting debate that Senator Jim Bunning (R-KY) sparked this week.*

As I discussed in detail last week, the United States Senate recently passed cloture on their \$15 billion jobs bill. In a bipartisan 62-30 vote, the chamber passed their proposal that included a payroll tax break for businesses that hire unemployed workers and an extension of unemployed benefits and subsidies for the jobless – a provision that the nonpartisan CBO deemed one of the most effective ways to boost job growth. Additionally, the jobs bill included an extension of the so-called "doc fix" so that the physicians will not experience the +21 percent drop in compensation for treating Medicare patients, and it included additional funding for roads and highways. So, it seemed that following the Senate cloture vote, final passage of the jobs bill was imminent. Everyone, it seemed, was ready except for Senator Jim Bunning (R-KY).

A two-term Senator and member of the Baseball Hall of Fame, Jim Bunning has always been one of the more conservative members in Congress, and this week he had a chance to prove his convictions. Following the cloture vote, Senate Majority Leader Harry Reid (D-NV) did the usual thing and set forth a vote to finalize the jobs package by passing the measure through unanimous consent, a procedure that allows a bill to be swiftly approved without an up or down vote. Passing any bill by invoking unanimous consent is standard procedure in Congress and is not out of the ordinary since cloture has already been approved. But Bunning – who is not running for reelection in November – chose to object to unanimous consent and literally halted the process. By objecting to "UC," bills are sent back to the committee and then recalled to the chamber floor, a process that can take a month or more. With the package including essential provisions for the nation's unemployed and doctors, the Senate and the American people did not have time to wait. Bunning not only exasperated Democrats but also his Republican colleagues.

Any move that allows unemployment benefits to expire is typically seen as political suicide, but Bunning chose to value principles over politics. While agreeing with nearly all of the provisions within the jobs bill, the Kentucky Senator objected because the measure would have increased the federal deficit and did not include an offset on the debt created. With President Obama and the Democrats insisting that all new legislation include a pay-as-you-go (PayGo) philosophy, the rhetoric did not fit the concept. Though Bunning eventually caved to bi-partisan pressure and allowed a 78-19 up-or-down vote of the bill, his move

created an interesting undertone – is it more important to support a set of principles or put politics ahead of what you believe? So goes Washington and much of the debate in capitols around the world.

Regardless of where you stand on Bunning's surprise objection towards the jobs bill, his decision highlights the growing US debt that continues to build. Though the provisions of the bill were some of the best-intentioned measures for the American people, his stubbornness on principles needs to be considered. While Senator Bunning clearly did not pick the appropriate bill to make his point, he illustrated that doing the right thing is never easy. The concern I have is that too many of our leaders are stepping into positions of principle – on either the left or right – and not considering the compromise, no matter how good. Making a stand is important. Making a stand where you build alliances and partners is better. Making a change that is good for everyone is great. Shouldn't we strive for great rather than just important? This applies to all of our leaders. I wish they would consider it.

### **In Defense of Insurance Companies**

*And so, the change guy thinks we're not considering all the facts...*

I've always been on the edge as it relates to health insurers. Many of the leaders in the health insurance world will tell you that over the years I've not been particularly supportive. My questions have revolved around what do insurance companies contribute to the "health" of the patient besides managing the flow of information? Are they effective? Do they really add to the process? Or, are the insurance companies simply an intermediary that needs to be tolerated? So, for all of you who think I'm off the edge, I want to give you some evidence that I'm a real "moderate." I actually think the insurance industry has been getting the blunt end of the stick during the last several weeks. In many respects, the recent rate hikes announced by the insurance industry are predictable. Anytime we've had a recession, health insurance rates have gone up. Why? Because those who lose their jobs and are healthy, opt out of COBRA. Many people would rather put money in their pocket at a time of need rather buy insurance. For those who are not healthy, keeping insurance is important because they can see the specter of potential catastrophic healthcare expenditures, which are beyond their means. The end result? The healthy leave, the sick stay. Risk shifts. And, the cost of health insurance rises. It's totally predictable. I'm a classic example!! I've got health issues that must be monitored. I will always have insurance because I couldn't fathom being without it, and I will use services. I'm one of those "predictable" people that skew the equation for the insurance companies.

This is why we need healthcare reform. And, the storm only gets worse over time. As the US population ages, as the economy continues to bump along, as costs for healthcare services continue to increase at higher rates than the general cost of inflation – the pressure is inherent. Can I fault Wellpoint or any other organization involved in health insurance? No. Can we discuss their level of profit? Well, yes... But, then we need to discuss the profit lines of all segments of the healthcare industry. Who is contributing value? Who is managing risk? Who is making a difference? It's not one answer but the combination of answers to all these questions that counts.

By simply pointing the finger at insurance companies, we are taking the easy way out. If – and only if – we had all members of society insured, it would be a different discussion. We need to get to that point. While I believe in the importance of the free market approach, I also fundamentally believe that all Americans should have access to basic healthcare

services – just as I believe that all Americans should have access to basic education ... and, water free of contamination ... and, a road system that helps us move from one place to another ... and, all of the other expectations we as a society have placed on our leaders.

Let's not lose sight of what this is all about. We have "great expectations" for our leaders, and the resources do not currently meet the needs of great expectations. So, perhaps we need to have a national dialogue and debate on where we're going to invest?

Thirty some years ago, I had a conversation with a good friend in the student cafeteria at the University of North Dakota. The conversation related to change. I suggested that it was "better to figure out how to change the institutions from within rather than to throw bricks from the outside to walls that will never change." In many respects, my philosophy has not change after many decades. We need to move forward on change. How can we bring it together? This is the challenge for healthcare leaders across the US. Let's move forward...

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

*The continuing saga...*

**The Good:** This week, Iraq again goes to the polls. Though suicide bombers have attacked polling stations throughout the country, the Iraqi people are still venturing out of their homes to vote. It's a good sign, regardless of setbacks, when democracy grows.

**The Bad:** In the ongoing battle between China and the search engine Google, a report out this week showed that Chinese criminals stole expensive computer source code information by hacking into the computers of employers with access. A continuing struggle to ward off cyber-terrorists, the China/Google spat is a piece in the much larger puzzle of online security.

**The Ugly:** As I discussed briefly last week, the House Ethics Committee admonished Congressman Charlie Rangel (D-NY). The powerful Chairman of the Ways and Means Committee was forced to "temporarily" give up his position as a result of the investigation into his alleged wrongdoing. Replaced by Sander Levin (D-MI), the Rangel incident is just another reason why the American people are so fed up with Washington...

### **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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