What The Elections Will Mean For Health Care

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November 14, 2002
When The Election Was Over --

Most pundits were surprised

- White House: Republican
- House: Republican
- Senate: Republican
What Happened?

Voter intensity is hard to measure and Republicans had the better turnout
What Will This Mean For Healthcare

-- It’s Not Clear Yet --

“51 Votes is Nice But Not a Lock”
Lots of Turmoil in Health Care…

Medicare

Managed Care

Medicaid

Employer-Sponsored Insurance
Growing Sense of Frustration

- Spending is High and Growing
- Value is Uncertain
- Patient Safety & Quality Are Problems
Hot Issues for Congress and the Administration

- Medicare Reform and Prescription Drugs
- “Other” Rx Issues
- Medicaid
- Medical Liability
- Uninsured
Medicare Spending Is Again On The Increase

(Growth Rates)

‘97 - ‘98 1.5%
‘98 - ‘99 -0.5%
‘99 - ‘00 3.3%
‘00 - ‘01 10.2% (8.7% adj)

Projected

’02 – ’12 6.9% (annual)
Spending Isn’t Medicare’s Only Problem

- 1960s Coverage
- Cumbersome Program
- Long-Term Financing Problem
Most Agree --

Seniors Should Have Rx Coverage

BUT

- Lots of Proposals
different structures, different costs

- Lots of debate over *How Much* to change or reform Medicare
Republican Position --

Medicare Needs to be Reformed

and

Rx Coverage is Part of The Reform
Likely Starting Point for Rx Discussion

“Tripartisan Bill” ($370 b over 10 years)

-- Subsidies Paid to Private Insurers

-- Premium $24 month; deductible $250 ann.

-- 50% coinsurance to $3,450; 10% thereafter
Implications for Medicare

- Specifics of design are important
- Costs of new benefits *always* underestimated
- Long-term fiscal pressures remain serious
What’s Likely to Happen?

“Too Soon to Tell”

Lots of Interest, but --

Any Rx proposal will be a tough sell
Major Medicare Reform???

- Won’t be driven by the HI Trust Fund
  Current projections suggest solvency til 2029
- Linkage w/Rx coverage could drive reform
- If not linked, major Medicare reform will be

A Long Way Off!!!
Other Rx Issues --

- Access to Generics
- Patent Protection
- Drug Reimportation
- Medicaid Actions
Medicaid Spending Is Also Increasing

Medicaid Spending 11% in FY 2001
-- Fifth year of spending growth acceleration
-- 9% growth per year expected over next decade

Rx Spending is Especially Big

19% in 2001
22% in 2000
18% in 1999
States Are Responding To Fiscal Squeeze

For FY 2003 ---

- 40 States to limit Rx spending thru cost controls
- 29 States to freeze provider payments
- 15 States to Medicaid benefits
- 18 States to Medicaid eligibility
Most Common Medicaid Rx Changes for FY 2003

- AWP Less Greater Discount
- More Rx Under Prior Authorization
- Preferred Drug List
- New / Higher CoPays
- Supplemental Rebates
Medical Liability and Tort Reform

Historic Republican Issue

-- 108th Congress is best chance for passage
  -- House Bill is a likely starting point

♦ Pain & suffering capped at $250,000
♦ Punitive damages limited to $250,000 or 2x economic damages
As For The Uninsured --

-- Expect continued push for tax credits
-- Long standing philosophical battle, between Dems and Republicans

But –

Trade bill showed compromises can occur
Bottom Line

- 2003 is the best year for action
- Still a closely divided Congress
- Deficit will make all spending bills a little tougher