

What The Elections Will Mean For Health Care

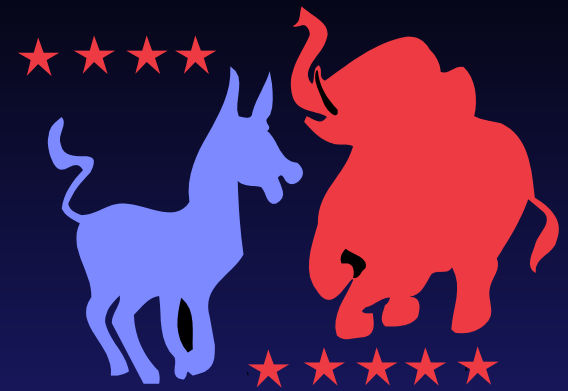


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Project HOPE

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



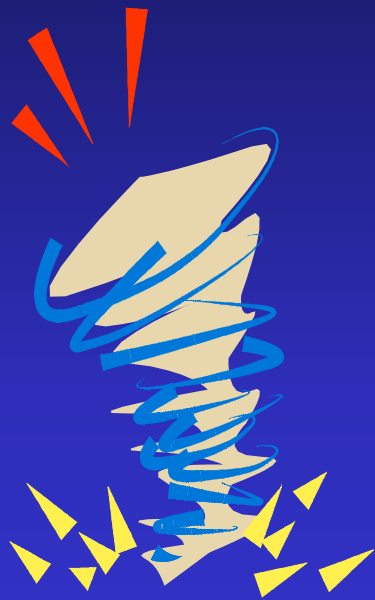
-- It's Not Clear Yet --

“51 Votes is Nice But Not a Lock”

Lots of Turmoil in Health Care...

Medicare

Medicaid



Managed Care

**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

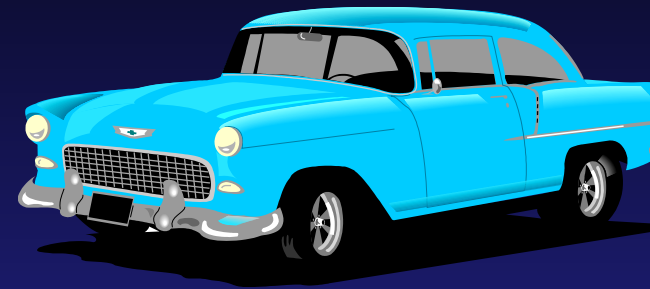
10.2% (8.7% adj)

Projected

'02 - '12

6.9% (annual)

Spending Isn't Medicare's Only Problem



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

Most Agree --

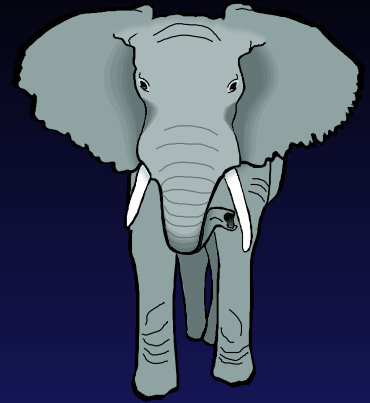


Seniors Should Have Rx Coverage

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

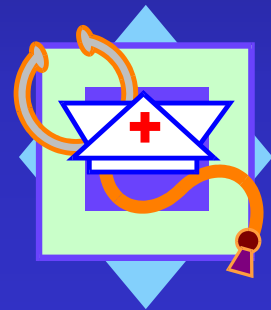
- Fifth year of spending growth acceleration
- 9% growth per year expected over next decade

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 ↓ or 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