

Health Policy Pulse • July 13, 2009

This week's edition of the Chandler Chicco Companies-DC Health Policy Pulse includes:

- **Hospital Group Offers Up \$155 Billion Sacrifice for Health Reform**
- **New Administration Health Appointments – Surgeon General and NIH Director**
- **TV Networks Defend Rx Drug Advertising**
- **IOM Identifies “Comparative Effectiveness Research” Priorities**
- **Health Reform's Latest Score: \$1.5 Trillion**
- **CCC Perspective: Game Changer? Wal-Mart Backs Employer Mandates**
- **Healthcare Playmaker Profile: Rep. Joe Crowley, (D-NY), Chairman, New Democrat Coalition**

Congress came back to DC last week, following the July 4th recess, committed to further rolling up sleeves and tackling health reform legislation with fervor. Senate and House leaders continued to grapple with numerous funding challenges but with full determination that each chamber will pass legislation before they take off for the lengthy August recess. Leaders went so far as to say they would delay the August recess to press for a vote.

In the last two weeks, scrutiny of the various funding proposals took on greater significance as the political pressure grows to align stakeholder and constituent interests, and in light of the Congressional Budget Office's (CBO) scoring – at \$1.5 trillion over 10 years – of the draft “Tri-bill” offered by the three committees in the House with jurisdiction over health care reform. This estimate exceeds the previous jaw-dropping number of \$1 trillion over 10 years that the CBO released for the Senate Health, Education, Labor and Pensions Committee draft proposal last month, which has since been reduced with the addition of new cost saving details.

Health care industry players, pharmaceutical manufacturers and hospitals in particular, continue to remain at the table in an effort to influence the policies that will

affect them. Still, other major players – doctors, insurers and medical device manufacturers – have yet to offer details for the cost savings they promised to deliver in a May pledge to President Obama that they will support health care reform.

Still to come is the hammering out of funding details. Which revenue-generating (read: taxes) options will gain the most support? Which will get lost in the political shuffle? Which cost savings measures will be viewed as legitimate and worth the deal-making, and which will be viewed as just smoke and mirrors? The noise level on the rhetoric dial will be turned up as Congress, the Administration and key stakeholders push their proposals and August gets closer. Still, there is recognition that meeting the August deadline will be a feat. At press time, we are hearing the Senate may be forced to abandon its hopes of getting a floor vote before the recess.

Next Up: Hospitals

In a show of support for President Obama’s efforts at health reform, three major hospital groups offered their own cost savings plan, agreeing to approximately \$155 billion in cost savings over 10 years. The American Hospital Association, the Federation of American Hospitals and the Catholic Health Association agreed to accept lower Medicare and Medicaid payments in order to help fund covering America’s 47 million uninsured. The hospital associations hope this move will help influence the details of what provisions they’ll have to abide by in a final health reform bill.

According to one industry source, the influence was necessary after President Obama announced in his weekly address that his team had identified \$200 billion in hospital reductions over 10 years. "There was no way we could tolerate \$200 billion," said the industry source.

But, there’s even a question as to whether all hospital systems could tolerate the \$155 billion offering. In fact, American Hospital Association representatives from five states said such a deal would have a serious impact on their ability to serve the poor.

<http://www.washingtonpost.com/wp-dyn/content/article/2009/07/06/AR2009070604053.html>

Other issues in play:

- **Obama Looks to Fill Key Health Care Posts** – President Obama nominated rural family physician Dr. Regina Benjamin, a 2008 MacArthur Foundation “genius grant” winner, to serve as the country’s next Surgeon General, the titular head of the U.S. Public Health Service. He also named Dr. Francis S. Collins, a physician and scientist who helped guide the Human Genome Project to completion, as his choice to serve as director of the National Institutes of Health’s 27 institutes and centers, and a budget of \$31 billion. Both positions require confirmation by the Senate.

Benjamin, originally from Alabama, made a name for herself nationally in the wake of Hurricane Katrina, when she rebuilt a rural health clinic she established in her hometown of Bayou La Batre, which then burned down on the eve of its re-opening. A national advocate for improving health disparities, Benjamin also has broken numerous barriers, including serving as the first African American woman to head Alabama's state medical society and the first African American woman and youngest doctor elected to serve on the board of the American Medical Association.

http://voices.washingtonpost.com/44/2009/07/13/obama_selects_alabama_doctor_a.html?hpid=topnews

Considered to be a champion of "personal medicine," Collins also is a born-again Christian, which the Washington Post said might be an effort to help "build bridges with those who view some gene-based research as a potential threat to religious values."

<http://www.washingtonpost.com/wp-dyn/content/article/2009/07/08/AR2009070802769.html>

- **Don't Touch That Dial** – Four major broadcast networks urged House Ways and Means Committee Chairman Charlie Rangel (D-NY) to abandon a proposal to eliminate the advertising deductibility provision for prescription drug ads. The proposal is one of several under consideration by the Committee responsible for writing the tax policies that will help offset the trillion-dollar cost of overhauling the health care system. The networks played the New York constituency card, telling Rep. Rangel in a letter that his plan would impact New York jobs at a time when the recession requires "we do everything we can to generate more sales and more jobs – not...reduce them."
<http://online.wsj.com/article/SB124719323157921305.html>
- **IOM Lists CER Priorities** – A panel formed by the prestigious Institute of Medicine (IOM) listed its top priorities for comparative effectiveness research (CER). The IOM study was mandated by the stimulus bill which included \$1.1 billion for such studies. Because no one is sure where comparative effectiveness will lead, drug companies, device manufacturers, physicians and hospitals were variously pleased, worried, relieved and/or perplexed by the listings. But everyone agrees that CER is a big deal and it will be an important factor for all health care stakeholders.
<http://www.google.com/hostednews/ap/article/ALeqM5jLh5xatd4Zd0uNr0qz7GM1TuAFgD99553501>
- **Initial House Healthcare Overhaul Bill Tagged at \$1.5 Trillion** – The Congressional Budget Office last week released its scoring of the healthcare reform bill that was drafted by the three committees with jurisdiction over healthcare reform, Ways and Means, Energy and Commerce, and Education and Labor. The House's initial draft of legislation came in at \$500 billion more than the CBO's scoring of the Senate bill put forth by the Health, Education, Labor and Pensions Committee, which has since been lowered. To offset the bill's costs, sources report that House Democrats identified an estimated \$300 billion in revenue that would be collected by raising taxes on people earning \$250,000 or more and introducing a tax on sweetened beverages; \$350 billion from an employer

mandate; and cost savings of \$500 billion in Medicare cuts. The bill does not include a provision to tax employer-based healthcare benefits, which is currently included in the Senate bill. Of course, change is the name of the game at this point in time, with policy makers already working on lowering the bill's costs to meet a \$1 trillion ceiling and exploring additional tax proposals that would replace some of the more controversial ones proposed. <http://www.newamerica.net/blog/new-health-dialogue/2009/cost-cbo-scores-pay-fors-house-health-bill-13099>

CCC-DC Perspective

By Michal Fishman, senior counsel, CCC-DC

As Goes Wal-Mart, So Goes the Country?

In what some might call a “game-changing” move, Wal-Mart, which has taken a leadership position on health care reform, announced before the July 4th recess that it wants to work with Congress and the Administration to support a health reform bill requiring employers to provide employees with, or help pay for, a minimal amount of health insurance. Like other major players looking to shape the debate and avoid Congress dealing them egregious policies that will negatively impact their business, the nation's largest employer stated in a letter to Congress and President Obama that it endorsed the idea of “an employer mandate which is fair and broad in its coverage.” Not surprisingly, that endorsement comes with a caveat: that “any alternative to an employer mandate should not create barriers to hiring entry level employees.”

Wal-Mart's engagement in the health reform debate follows a proven formula for how to effectively influence policy while protecting one's business interests.

Not too long ago, Wal-Mart was vilified by policy makers and policy influencers as the big evil company that treated its employees poorly by denying them health care benefits and paying them close to nothing. But, in the past couple of years, Wal-Mart has taken numerous steps to turn its reputation in Washington around and exercise its muscle to guarantee its market dominance.

In this latest effort, Wal-Mart engaged a former critic, Andy Stern, president of the powerful and two-million strong Service Employees International Union (and creators of “Wal-Mart Watch”), as well as John Podesta, who headed President Obama's transition team and now leads the influential Center for American Progress, to sign the letter with them. Using terms like “shared responsibility” and “broad and fair coverage,” Wal-Mart was able to demonstrate willingness to compromise without having to commit to details of what it actually will or won't support when its time to write and pass legislation. This is the second time Wal-Mart and the SEIU have grabbed headlines by similarly joining hands to champion the broad ideal of health care coverage for all Americans but avoiding the messy – and controversy-sparking – details of how to achieve the lofty goal.

It wasn't too long ago that Wal-Mart was on the other side of this fight, objecting to state measures that would have required large employers to provide employees with health insurance. And, there's no doubt that Wal-Mart's 180-degree turnabout brings with it its own baggage of

skepticism from policy makers and policy influencers who view Wal-Mart's actions as self-interested, as well as ire from its competitors.

According to the *Wall Street Journal*, Wal-Mart provides health care to 52 percent of its employees and “believes a government health-care program could be beneficial to its bottom line, if it helps curb a nationwide trend of surging health-care expenses.” If successful in its policy-influencing efforts, Wal-Mart will head off an objectionable bipartisan proposal under consideration in the Senate that would have a great impact on employers of low-wage workers. Success also will increase Wal-Mart's competitive edge against fellow retailers, a fact demonstrated by a letter from the National Retail Federation to its 1.6 million members imploring them not to allow Wal-Mart “to tip the scales on the health care debate...” and instead to “stand up for all retailers and come out swinging” against the employer mandate.

Like its fellow stakeholders – pharmaceutical manufacturers and hospitals – Wal-Mart has taken the proverbial “bull by its horns” and stepped into the health care reform ring with gusto. Pre-empting its competitors, providing political cover for policy makers, making friends with foes, and grabbing positive headlines, Wal-Mart has solidified its seat at the health care reform table and its continued dominance in the marketplace.

<http://www.kaiserhealthnews.org/Daily-Reports/2009/June/30/WalMart.aspx>

Healthcare Playmaker Profile

Rep. Joseph Crowley, (D-NY-7), Chairman, New Democrat Coalition



Joe Crowley, the six-term congressman from Queens, last week was elected to serve as leader of the 68-member moderate New Democrat Coalition. The popular lawmaker also serves as a Chief Deputy Whip to House Speaker Nancy Pelosi and as vice chairman of finance for the Democratic Congressional Campaign Committee.

The New Democrat Coalition has become increasingly influential in the House debate on how to overhaul health care. Along with the other moderate Democrat coalition, the Blue Dogs, the New Democrats are asserting their demands that a House health reform proposal address their objections to a public plan. Passage of a House health reform bill rests on House leadership's ability to corral all Democrats to overcome the expected opposition from House Republicans. http://www.rollcall.com/issues/55_4/news/36615-1.html

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