

The U.S. Healthcare System

- How It's Changing, and
- What It May Look Like In The Future

Presented by

Humphrey Taylor

Chairman, *The Harris Poll*
Harris Interactive

C-Change
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My Agenda

- **What the American People Want**
- **Why We Need to do Better
(International Comparisons)**
- **How the System is Changing Now**
- **A Few Warning Signals for Oncology**
- **The Likely Shape of Reform
When We Get It**

What Does the Public Want?

Most People Think Health Care And Health Insurance Should Be Entitlements (2003 Data)

Base: All Adults

	Total	Party I.D.		
		Republican	Democrat	Independent
	%	%	%	%
Entitlement	65	46	79	71
As a kind of product or service	23	43	10	19
Not sure	12	10	11	10

“Do you think public policy should treat health care and health insurance more as an **entitlement like education, police and fire protection and highways** or more as a kind of **product or service, like cars, house, food and clothes, or homeowners insurance** where you get what you can afford and want to pay for?”

Source: Harris Interactive Health Care News, October 27, 2003

Majorities Of Public Support Different Approaches/Attitudes To Improve the U.S. Health-Care System

	All Adults	Republicans	Democrats
	%	%	%
It is the government's duty to ensure that all Americans have adequate health-care coverage	65	47	82
The U.S. health-care system would benefit most from greater funding and better payments to health-care providers	50	44	59
The U.S. health-care system works better for the very poor and the wealthy than it does for the middle class	61	60	63
The U.S. health-care system could be improved by creating an insurance program that isn't linked to individuals' employers	62	55	69
The U.S. health-care system works pretty well if you are healthy but it doesn't do a good job when you are sick	63	51	73

Source: Harris/Wall Street Journal, September 2007

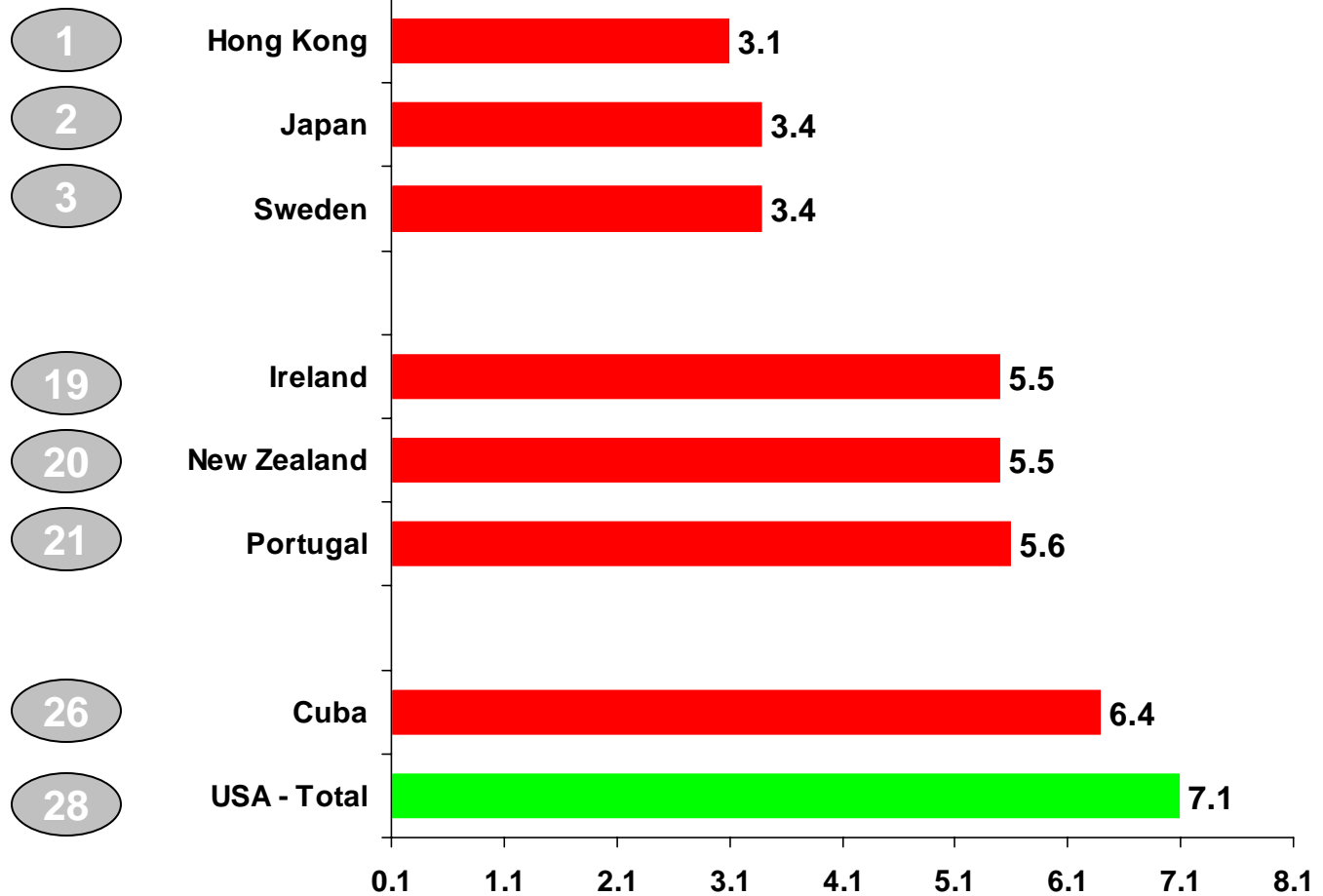
Why We Need Reform

Americans spend much more than anyone else.

What do they get for their money?

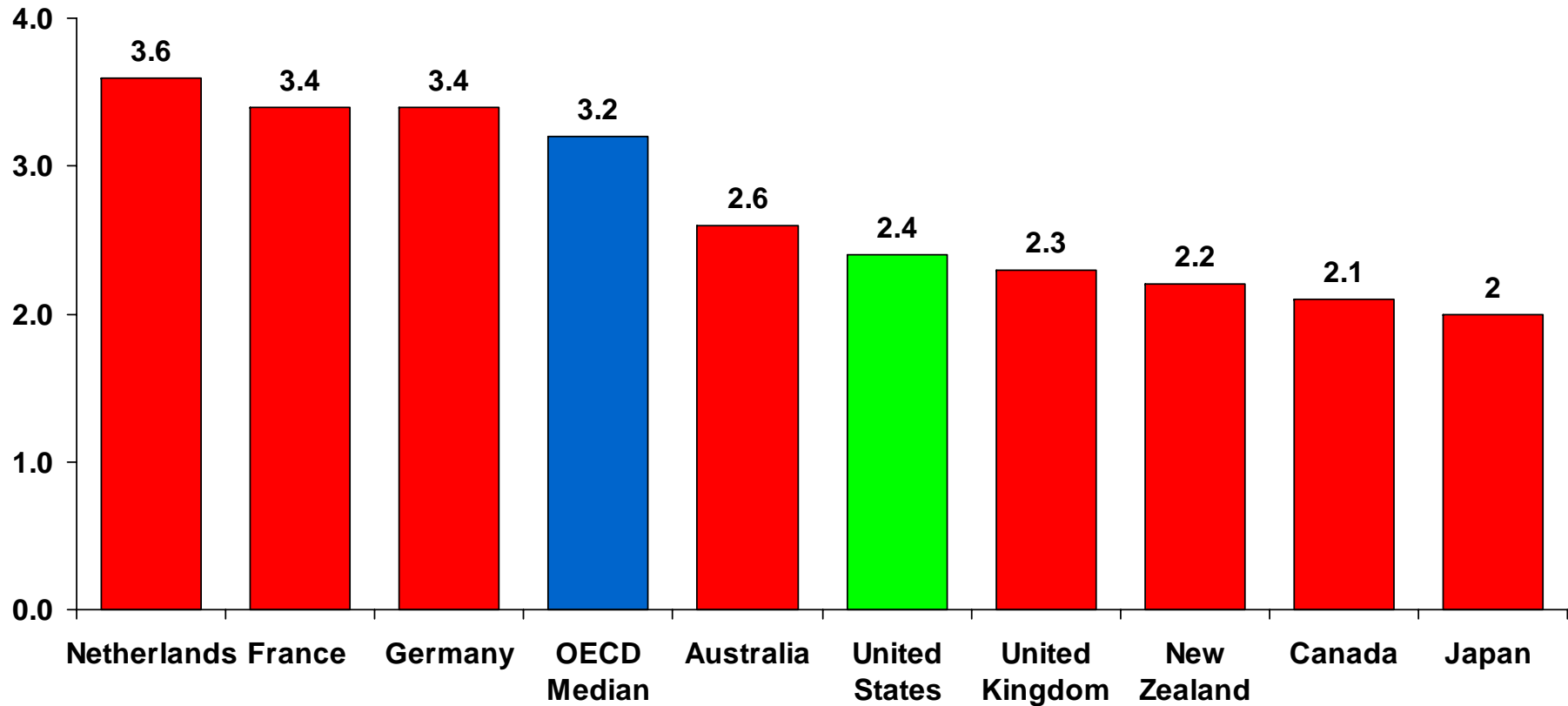
Infant Mortality International Comparison (1999)

RANK



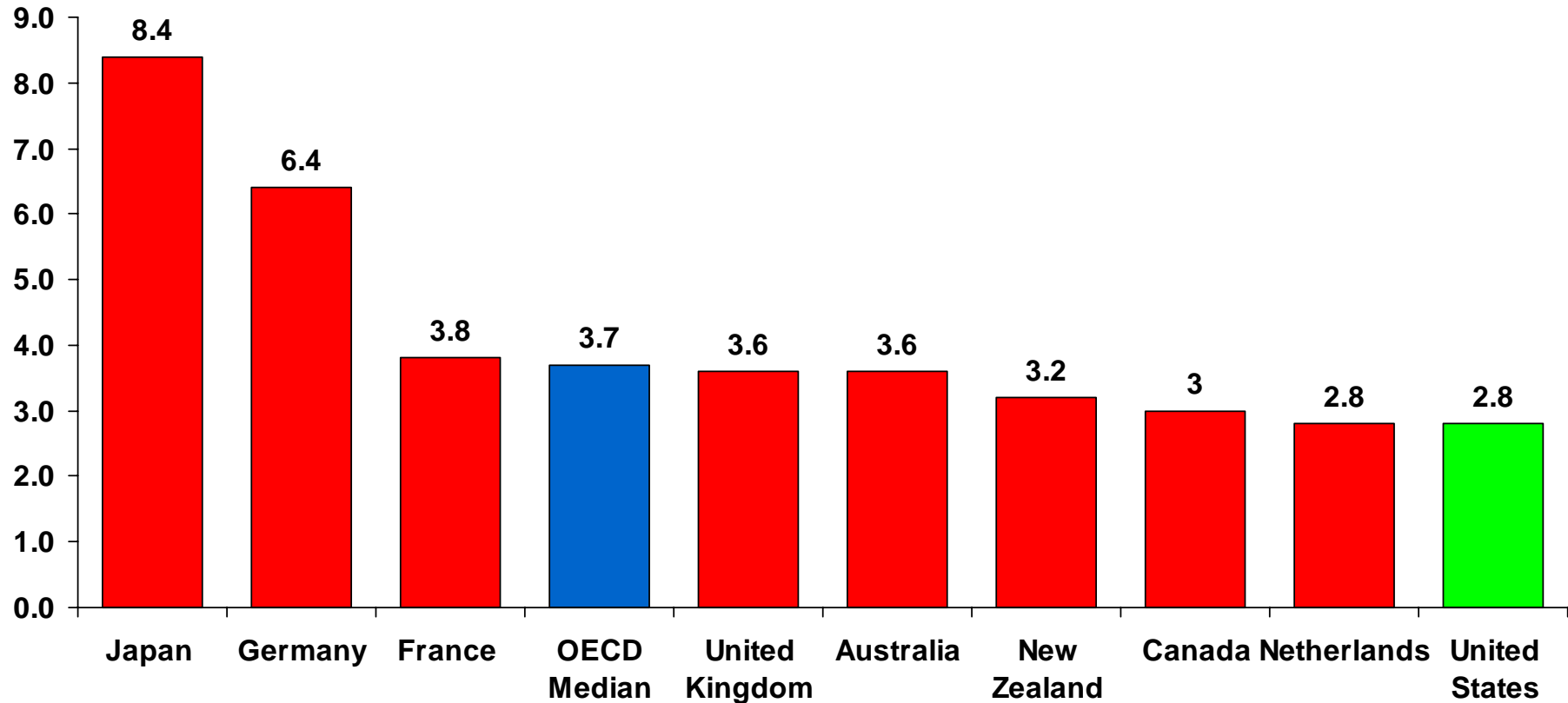
Source: National Center to Health Statistics, 2007

Number of Practicing Physicians per 1,000 Population in 2004



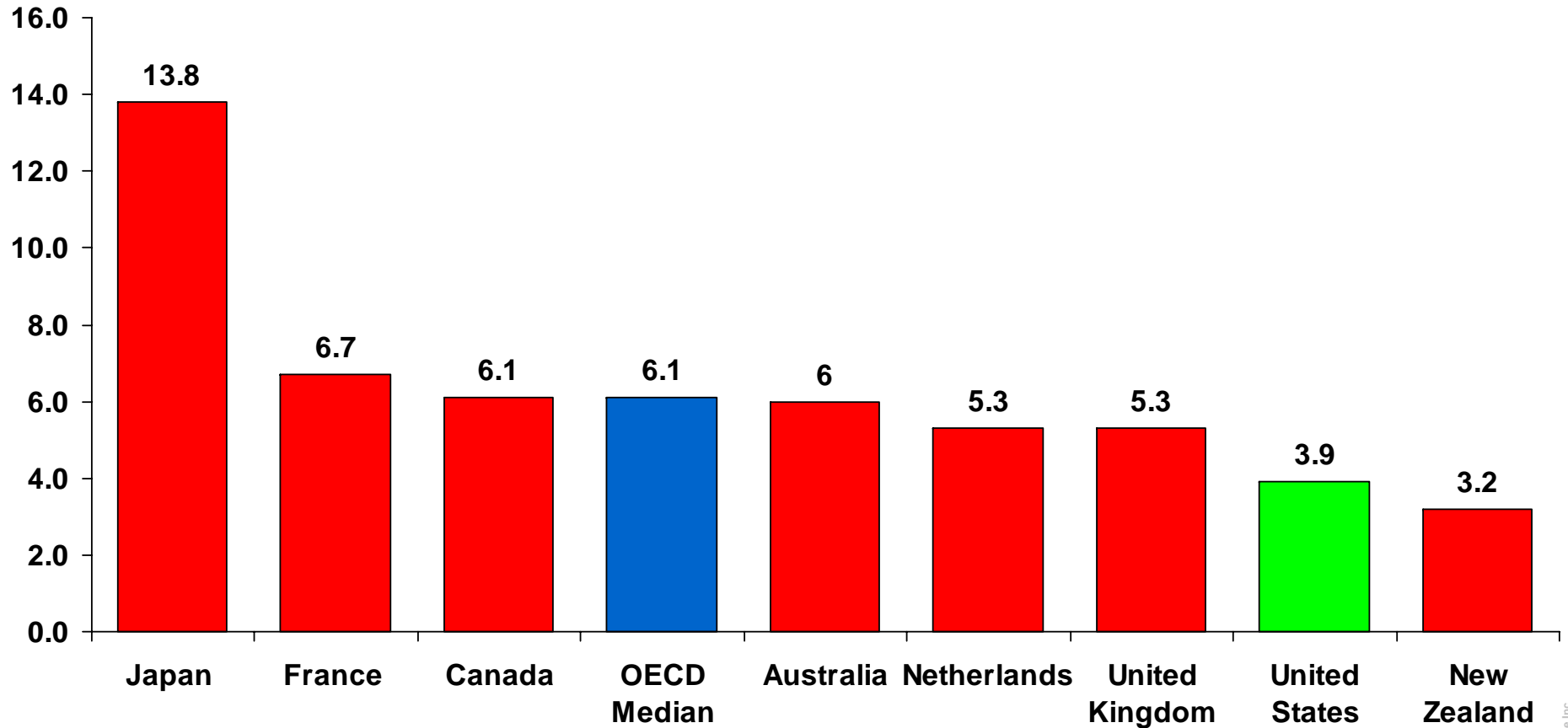
Source: OECD

Number of Acute Care Hospital Beds per 1,000 Population in 2004



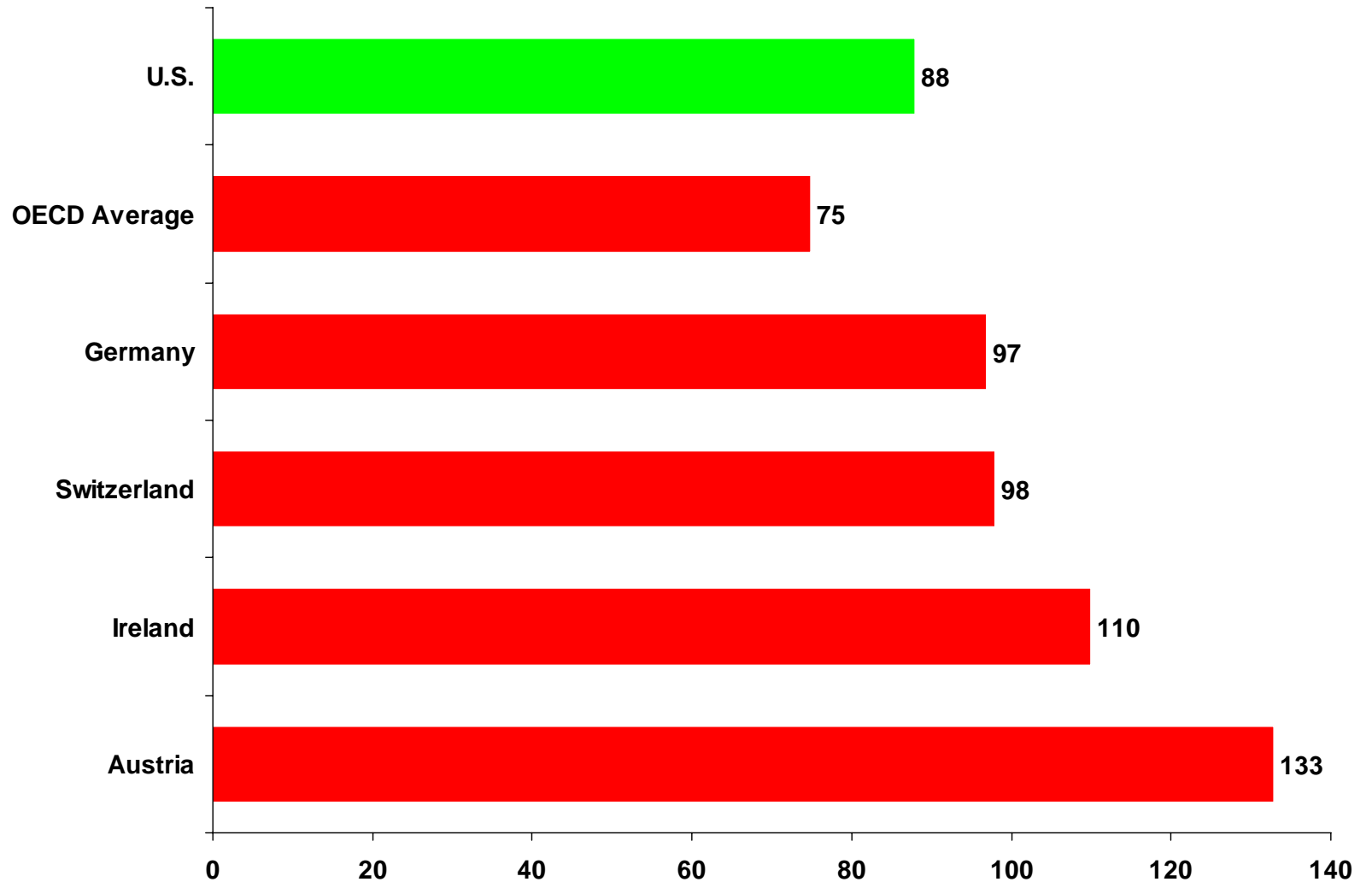
Source: OECD

Average Annual Number of Physician Visits Per Capita in 2004



Source: OECD

In-Patient Surgical Procedure Per 1000 Population (2002)



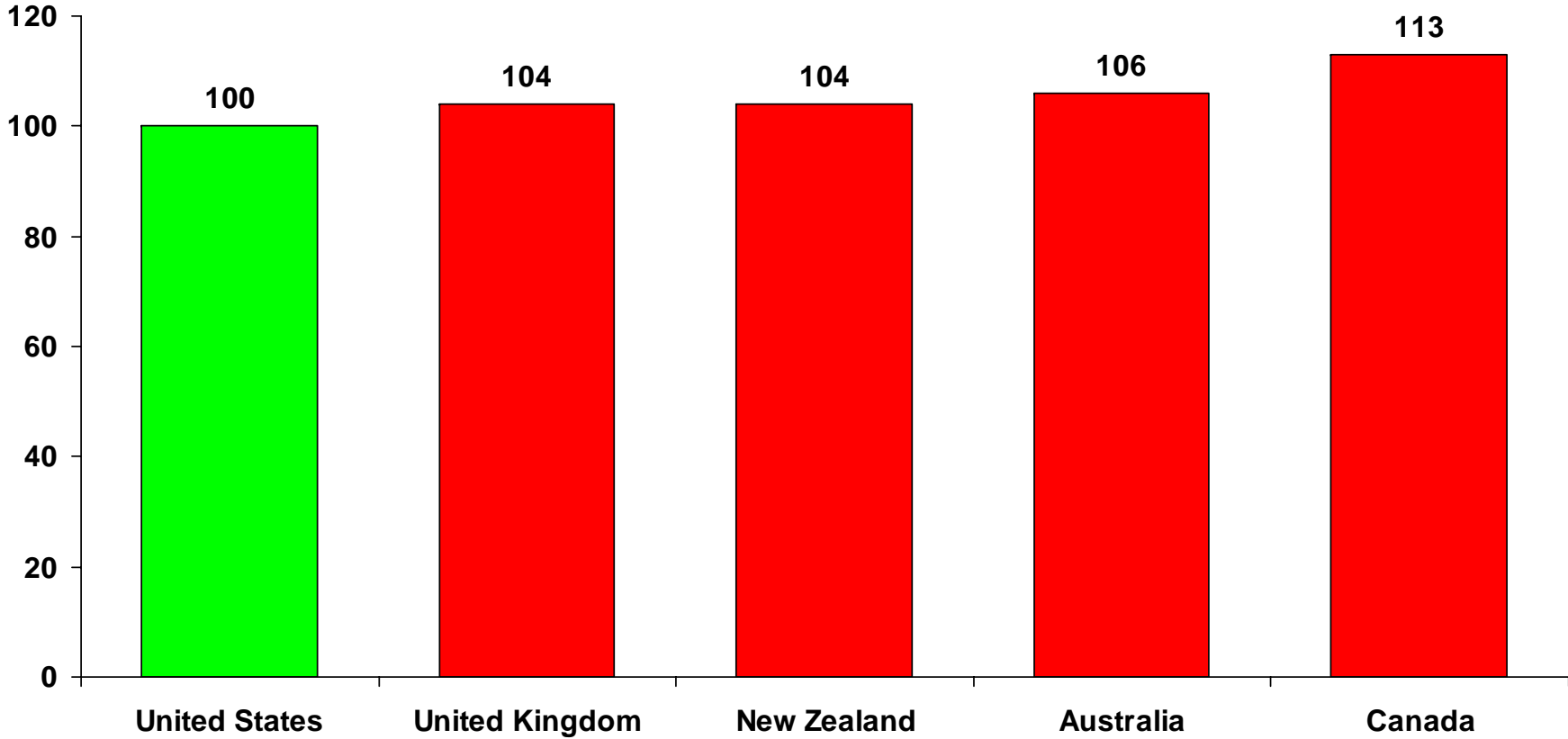
Source: OECD/McKinsey Jan 2007

“The United States spent ... nearly six times as much as the OECD average (on “administration and insurance”) ... because of its unique multiple-payor system and the complexities of administering Medicare, Medicaid and private-insurance products”.

Source: McKinsey, January 2007

Kidney Transplant 5-year Relative Survival Rate

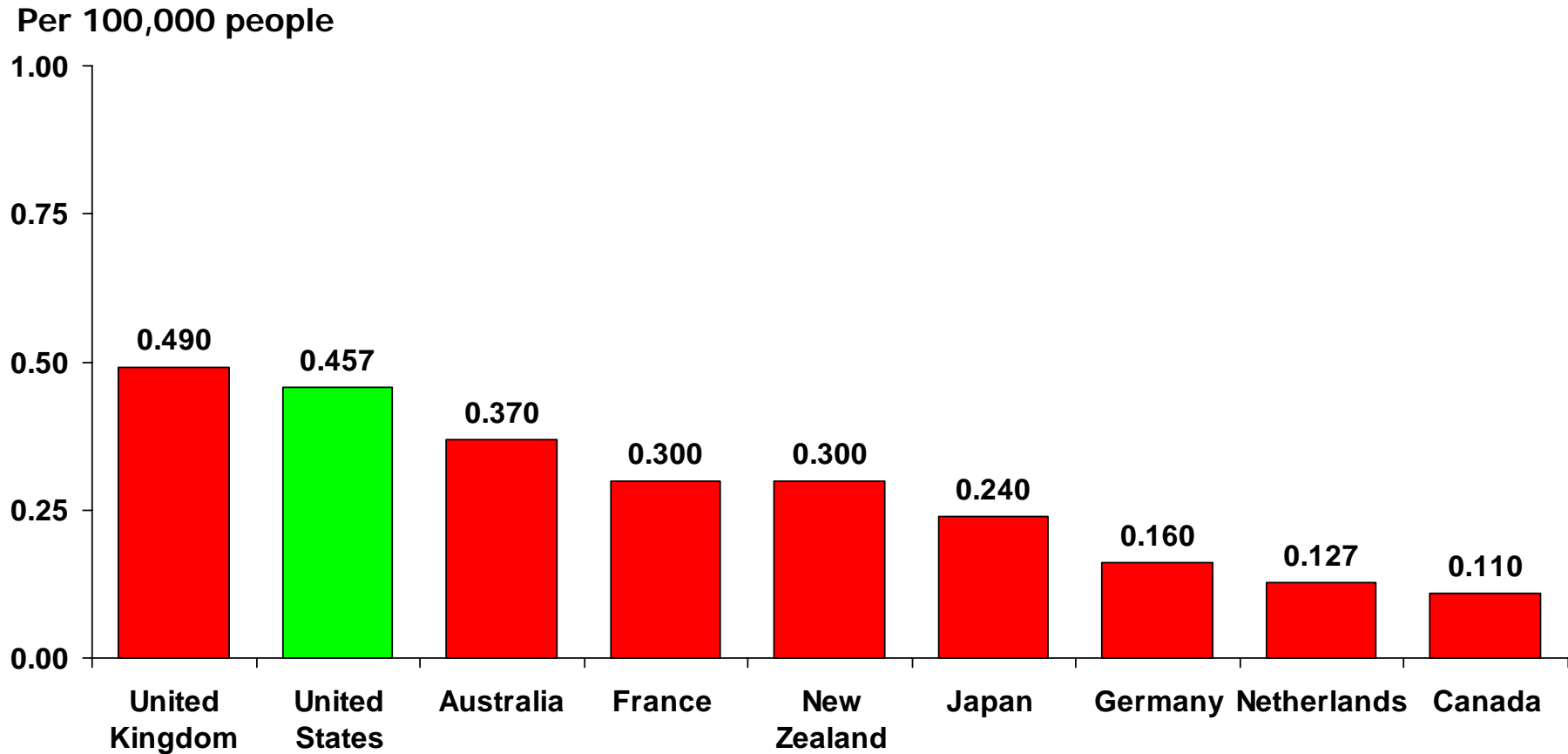
Standardized Performance on Quality Indicator
100=Worst Result; Higher Score=Better Results



Source: P.S. Hussey, et al, *Health Affairs*, 2004

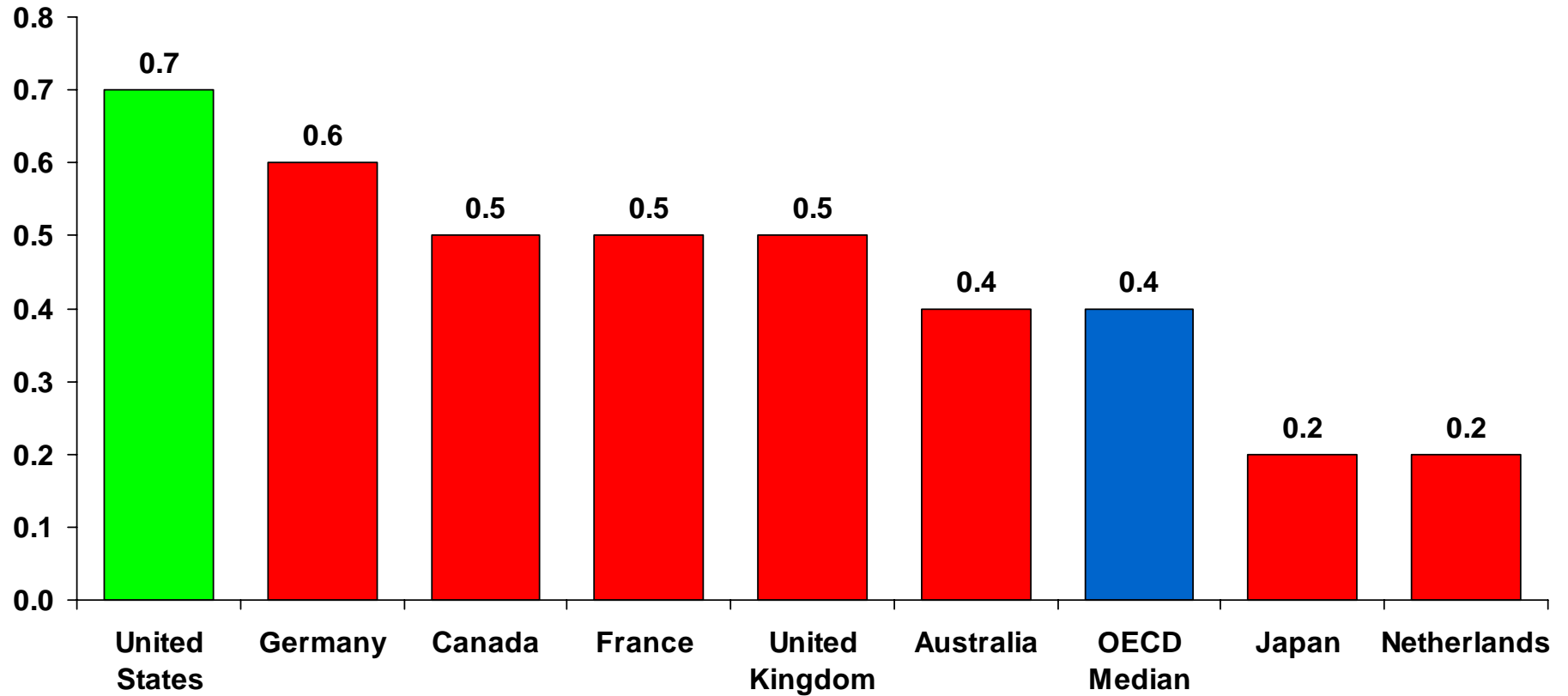
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Asthma Mortality Rate, Ages 5-39 (Note: Years vary from 2000-2004)



Source: OECD

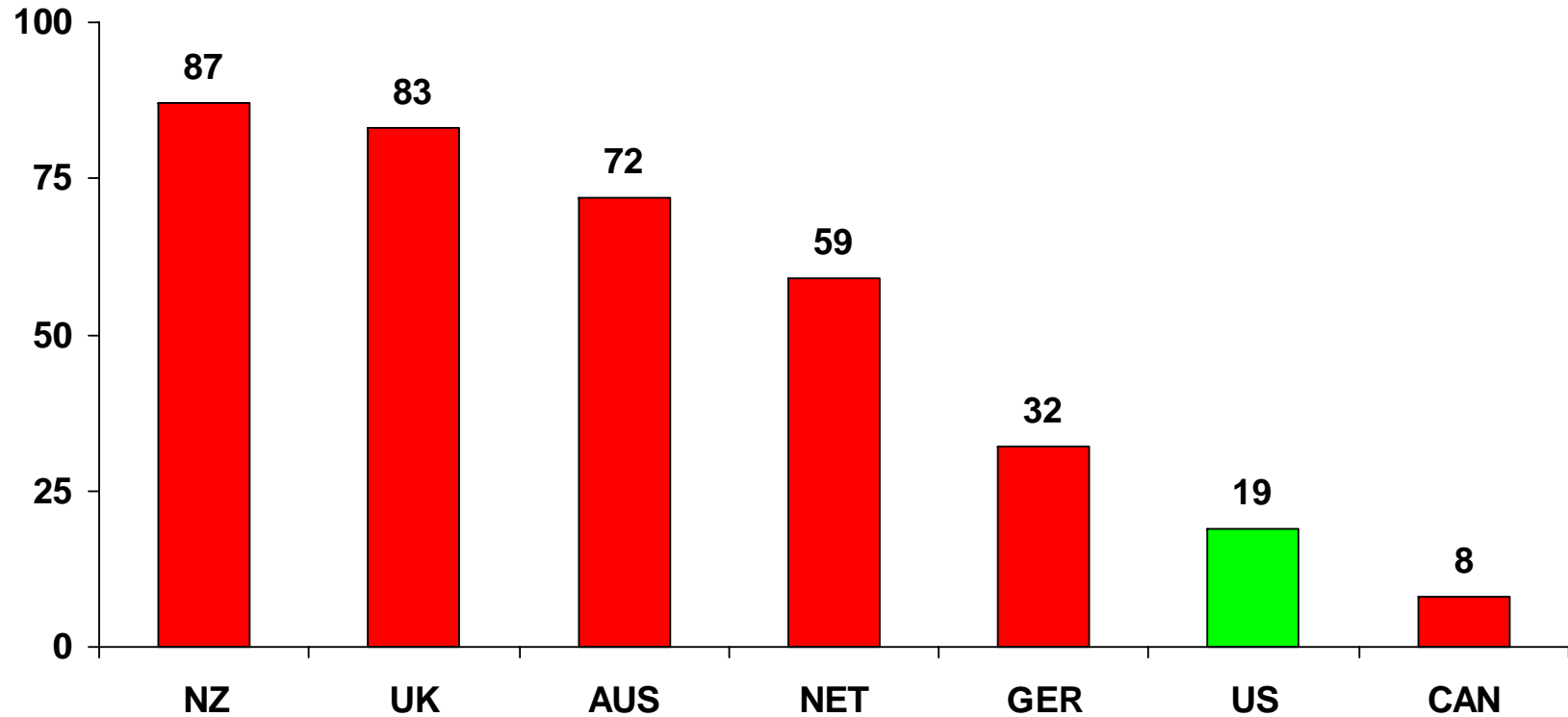
Deaths Due to Surgical or Medical Mishaps per 100,000 Population in 2004



Source: OECD

Overall Country Comparisons on the Use of HIT

Percent Reporting 7 or More Out of 14 Functions*

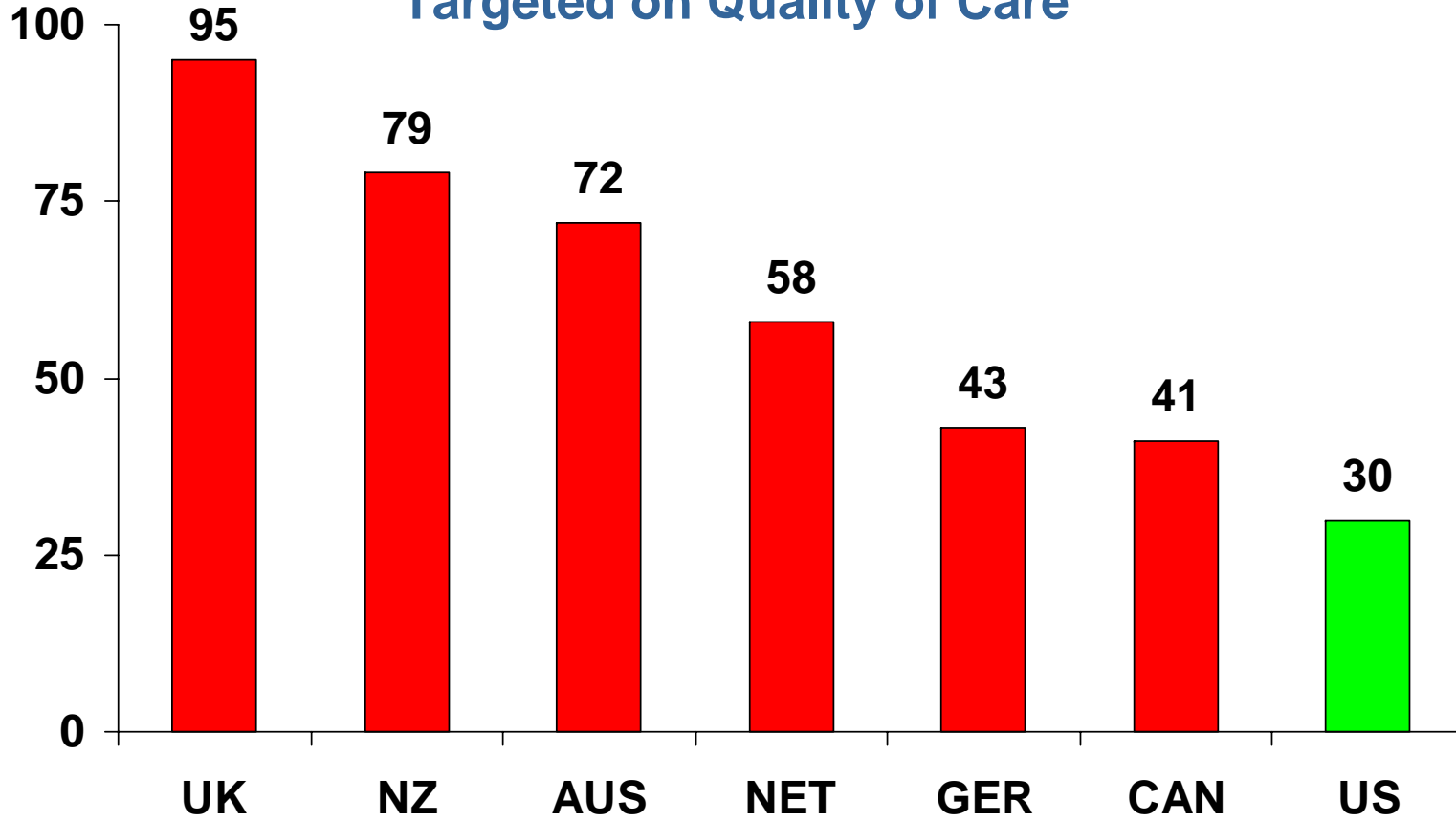


Count of 14: EMR, EMR access other doctors, outside office, patient; routine use electronic ordering tests, prescriptions, access test results, access hospital records; computer for reminders, Rx alerts, prompt tests results; easy to list diagnosis, medications, patients due for care.

Source: 2006 Commonwealth Fund International Health Policy Survey of Primary Care Physicians (Harris Interactive)

P4P

Primary Care Doctors' Reports of Any Financial Incentives Targeted on Quality of Care

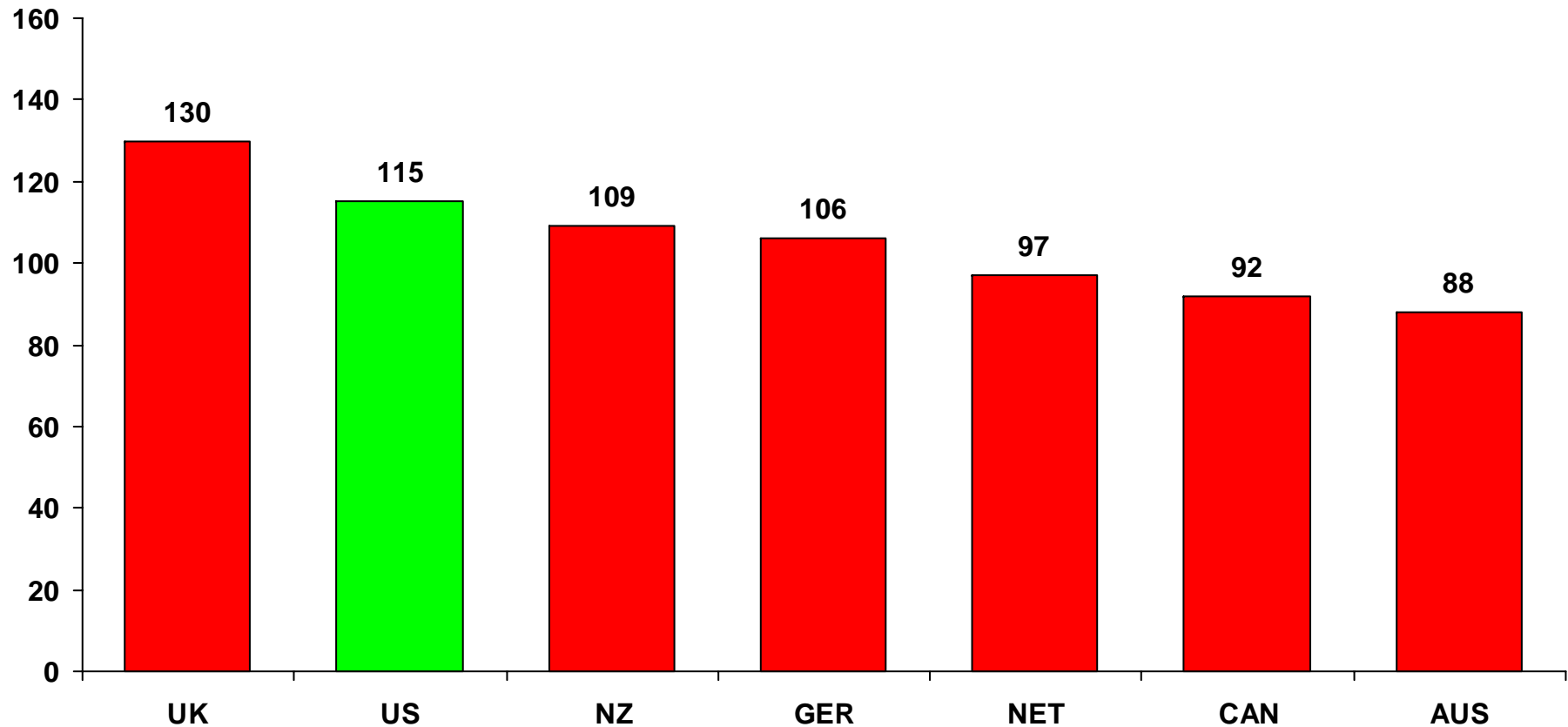


Receive of have potential to receive payment for: clinical care targets, high patient ratings, managing chronic disease/complex needs, preventive care, or QI activities.

Source: 2006 Commonwealth fund International Health Policy Survey of Primary Care Physicians (Harris Interactive)

Avoidable Deaths

(Mortality Amendable to Health Care per 100,000 population, 2004)



Source: OECD/Commonwealth Fund (2006)

What The Data Tell Us About The US Health Care System Compared to Most Other Western Democracies

It is

- **By far the most expensive**
- **The most inequitable**
- **The least efficient**
- **One of the most unpopular**

So yes; we do need reform.

With or Without “Reform” the “System” Will Continue to Change Rapidly

“Drivers of Change”:

- The quality movement
- Price (and quality) transparency
- Health Information Technology (HIT)
- New medical technology
- Erosion of employer-provided coverage
- Obesity epidemic
- Aging of baby boomers
- Growing focus on multiple chronic conditions
- State legislation
- Retail clinics and \$4Generics

Comparative Effectiveness Measures Are Coming Here Too

The devil will be in the details

- If “QALYS” are used, will that be bad for oncology?
- Will “cost-effectiveness” often be defined as containing costs — particularly of expensive drugs?
- Mandated head-to-head trials?
- Cuts in off-label prescribing?

Comparative Effective Board(s)

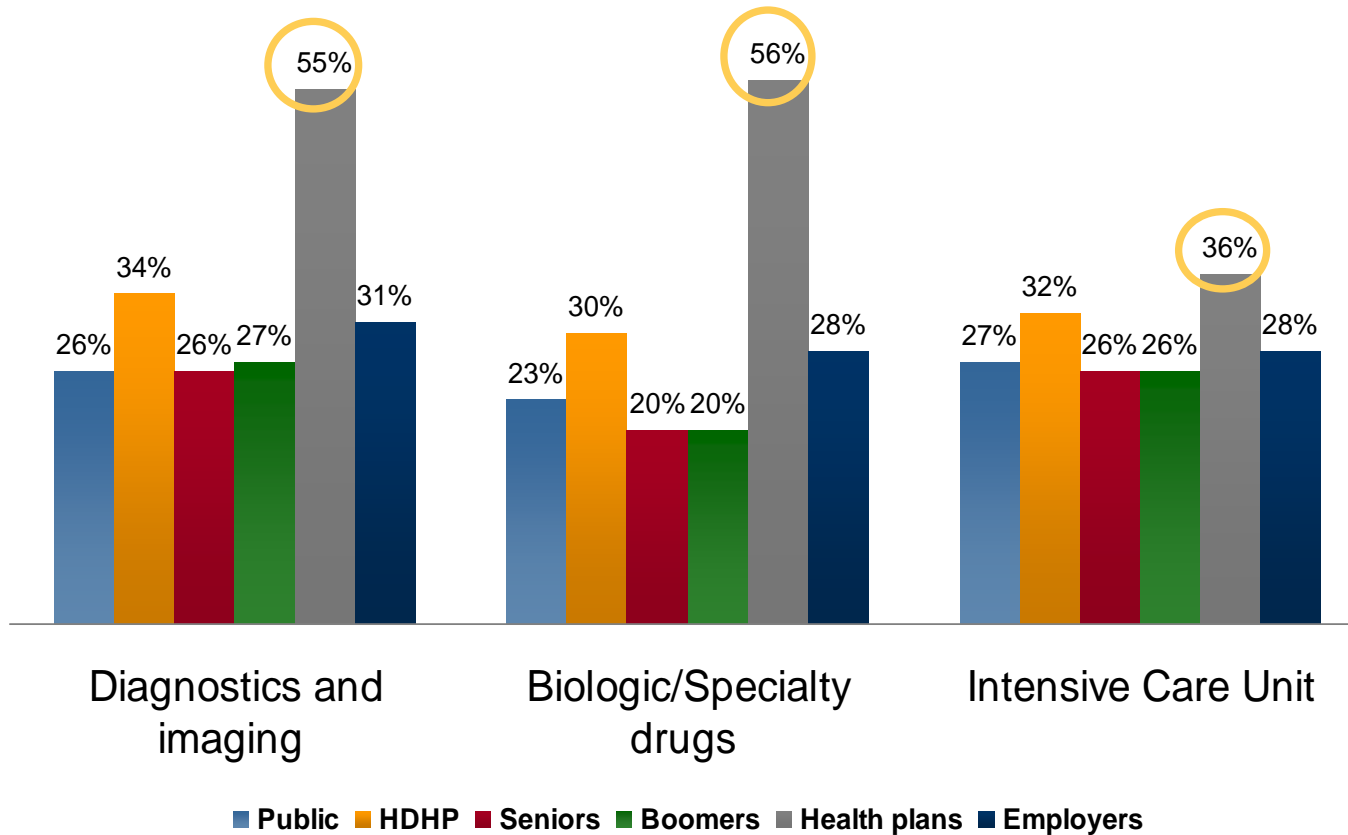
The devil will be in the details

- One board or several?
- Funded by? (and controlled by?)
- What will the involvement of CMS, FDA, AMA, AHIP and PhRMA BE?
- How much independence and power will it have?
- Will it influence clinical guidelines?
- Will it help make (or just influence) coverage decisions?
- How will it affect prices?

Danger Signals for Oncology

Health Plans are More Likely to Support Limiting Access to Technologies to Lower the Cost of Healthcare

% Strongly/Somewhat Support



Source: Harris Interactive, Strategic Health Perspectives, 2007

Biologics/Specialty Products Remain an Area of Concern for Health Plans, but Plans are Less Concerned about Other Prescription Products

	Most contributed to increased costs your plan experienced during the <i>past 2-3 years</i>	Which single factor do you think will contribute most to increased costs in the <i>next 2-3 years</i>
Hospitalization Fees	35	33
Professional Fees	6	6
Prescription Drug Costs	29	15
Diagnostic, Screening, and Laboratory Costs	8	8
Medical Equipment Costs	1	2
Biological or Injectable Drug Costs	8	21

Source: Harris Interactive, Strategic Health Perspectives 2007.

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Many Health Plans Looking at an Increasing Variety of Management Tools for Biologics

Current and planned (in the next 2 to 3 years) actions with respect to coverage/reimbursement for biologics or injectable drugs:	Yes, Doing %	Yes, Planning %
Impose an overall maximum benefit for each prescription	14	11
Create a new prescription drug tier for biologics or injectable drugs	22	26
Make reimbursement levels contingent on a cost-effectiveness review	16	19
Require pre-authorization for coverage of biologic or injectable drugs	59	16
Cap beneficiary out-of-pocket payments for biologics	27	11
Require the use of generic biologics if they are available	49	21
Lobby for mandated generic biologics in pharmacy laws for states	15	12
Require the use of specific PBMs	59	6
Require the use of certain biologic Rx suppliers	50	10

Source: Harris Interactive Strategic Health Perspectives, 2007

Drug Costs Pushing Companies to Abandon Promising Therapies

March 23, 2007 – Patients are having to pay a greater percentage out of pocket for expensive cancer treatments, and as price tags spike, making treatments more and more inaccessible, companies are walking away from experimental new drugs that may work but that won't have a large enough market to justify the expense...

“...Modest gains in survival will be offset by anxiety about financing treatment...”

“...At this pace, escalating drug costs will pose an insurmountable obstacle for the realization of advances in biomedical research.”

“...These issues may soon lead to patient and provider backlash, which ultimately will not be good for business.”

“Americans will need to confront questions that we have long been able to avoid. Just how much are we as a society willing to spend on the treatment of advanced cancer? What standards should we apply in determining the medical necessity of a particular intervention? To what extent are we willing to permit a patient's ability to pay to dictate the treatment that is used?”

Sticker Shock

Average per-patient cost of treatment for some cancer drugs that have come to market since 2004:

Avastin/Genentech	
Colorectal:	\$46,600
Lung:	\$56,300 ¹
Vectibix/Amgen	
Colorectal:	\$36,000 ²
Erbix/ImClone & Bristol	
Colorectal:	\$40,000
Lucentis/Genentech	
Age-related macular degeneration:	\$48,000 for two years
Revlimid/Celgene	
Multiple myeloma:	\$67,000
Sutent/Pfizer	
Kidney:	\$46,500

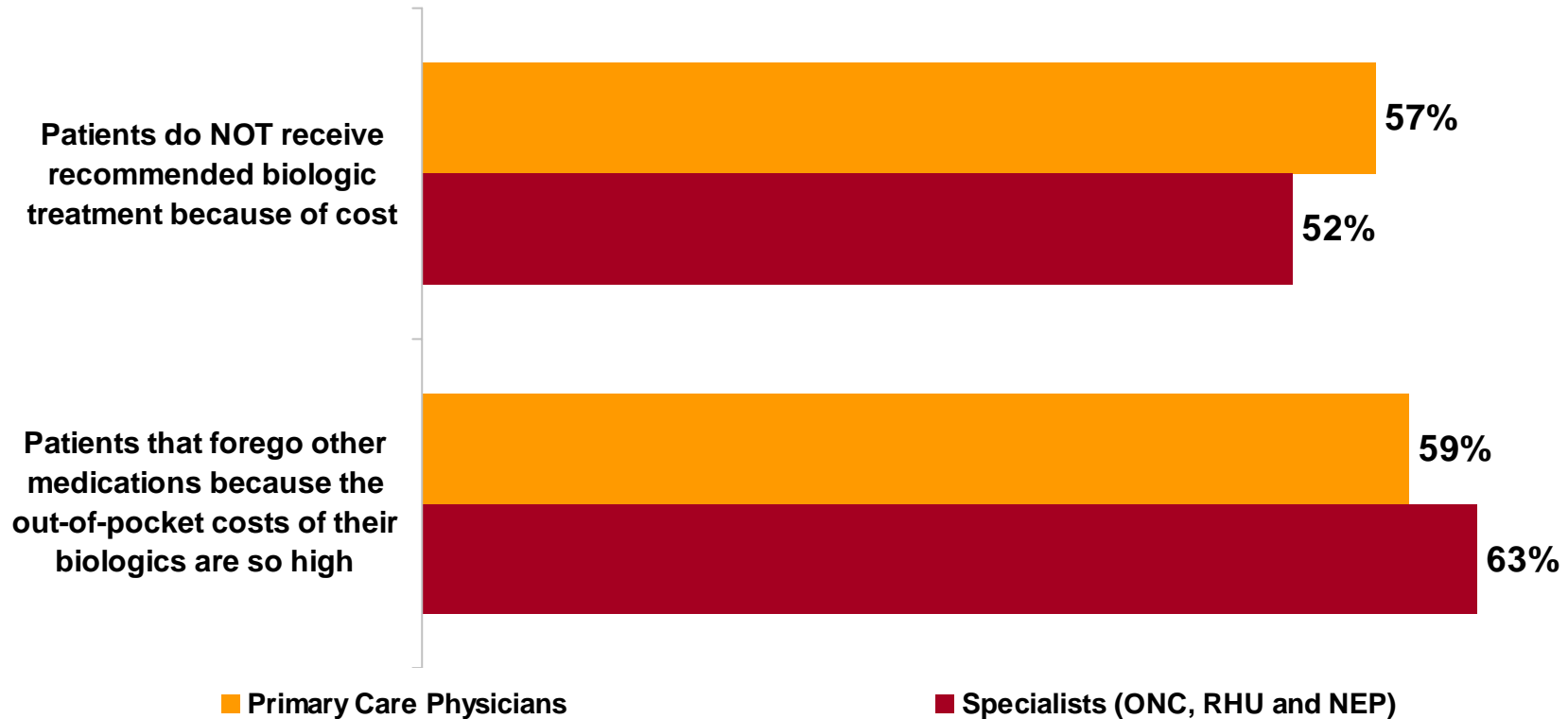
¹ Drug available free after \$55,000 in expenditure.

² Drug available free after patients use more than 5% of adjusted gross income in co-payments.

Sources: the companies; Morgan Stanley

Physicians Remain Concerned About the Cost Of *Biologics* and the Impact on Patient Compliance

% saying sometimes or often*



Source: Harris Interactive, Strategic Health Perspectives 2007

*BASE: Treats patients with biologics

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Forecasting the Future

- I believe that one day the USA will have more or less universal coverage
- The question is:
 - **What will it look like?**
 - **How will we get there?**
 - **When will it happen?**

What? (1)

- Much wider coverage but not totally universal
- Not achieved by small incremental steps (but perhaps by several big steps)
- Pluralistic system with roles for
 - **Employers**
 - **For-profit and not-for-profit health plans**
 - **Individual insurance**

What? (2)

- A multi-payer system with government, individuals and employers all paying (a lot!)
- More mandates
- An expansion of some government programs
- A multi-tiered system with a modest safety net
- An emphasis on choice (if you can afford to choose)
- More incentives based on measures of efficacy, safety, quality, cost
- Tougher price controls

What? (3)

The American system will be very complicated
and

Emphasize (or pay lip service to?) the market and competition

What We Will Not Get

- A “national health service”
- Government employment of most physicians
- Government ownership of most hospitals
- Universal government insurance

U.S. System may look somewhat like systems in:

Germany

Switzerland

Netherlands

(and a bit of Australia?)

But Not Like

U.K.

Canada

Scandinavia

How? (1)

- Most of these stars must be in alignment
- An aroused and supportive public
- A virtual parliament
- A president:
 - **Who makes this a huge priority**
 - **With great political skills (with public and Congress)**
 - **With high poll ratings (60% plus)**

How? (2)

Do we need a full blown crisis?

- If so, is it:
 - **Uninsured hitting 60 million?**
 - **Health care costs hitting 20% of GDP?**
 - **Employers' coverage falls faster?**
 - **Soaring Medicare/Medicaid costs?**
 - **A recession?**

(Or, is it easier when economy is doing well?)

How? (3)

New proposal will need to minimize criticisms that it will:

- Be too expensive
- Need higher taxes
- Damage economy (reduce jobs)
- Mean bigger government
- Cause rationing
- Reduce quality
- Reduce choice

How? (4)

Healthcare Reform Must Avoid Clinton's Mistakes

- Waiting too long after election (no honeymoon)
- Using unelected leader
- Too much focus on detail, not enough on political process
- Not giving Congress it's traditional leadership/bill-writing role
- Antagonizing powerful interests by proposal development process (and "secret" meetings)

How? (5)

Will it need, and can it get —

Support of Corporate America?

and

Not just from unionized, rust-belt employers

How? (6)

There will not be a consensus for any one plan so...

- President must:
 - **Emphasize a few key principles**
 - **Work with (listen to) interest groups**
 - **Twist a lot of arms**
 - **Lead, Lead, Lead**

(Sound like FDR and LBJ?)

But

- Without very strong leadership
- We will just keep schlepping along!

When (1) Models of Change

- Pearl Harbor
 - **A sudden crisis causes fundamental change**
- The Tipping Point
 - **Pressures build to an inflection point of change**
- Glacial Erosion
 - **Steady growth of grinding, inexorable, and hard to resist pressures**
 - Aging
 - Technology
 - Unaffordability
 - Disparities
 - Tiering

When? (2)

- Best time probably in first year after a landslide victory
 - Election years make it tougher
 - Most presidential parties lose congressional seats in mid-term elections
- 2009?
- 2013?
- 2017?

So What?

- All healthcare systems are almost always in “crisis”
- Even after major reforms, the pressures to change and improve the system, will never end
- Your influence on the debates will depend on how you play your cards

Thank You!