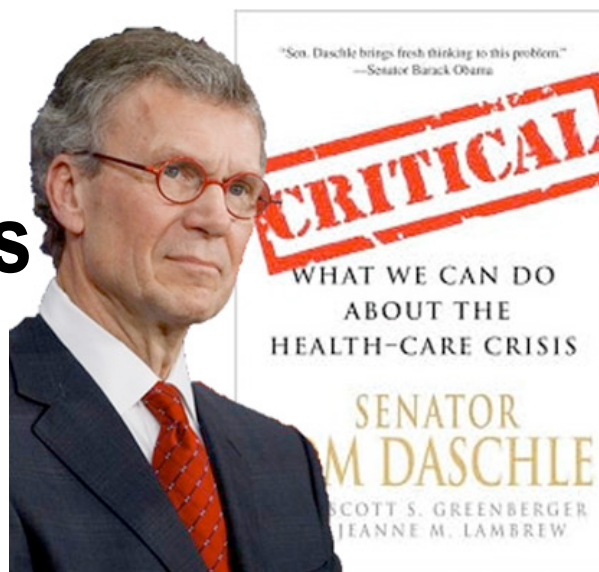


## Book Review

# Critical: What Daschle Plans to Do About the Healthcare Crisis

Author: John Mack

PMN710-03



Find resources cited this article online at:

<http://tinyurl.com/5hqxra>

This article is part of the December 2008 issue of *Pharma Marketing News*.

For other articles in this issue, see:

<http://www.news.pharma-mkting.com/PMNissueDec08archive.htm>

Published by:  
**VirSci Corporation**  
PO Box 760  
Newtown, PA 18940  
[infovirsci@virsci.com](mailto:infovirsci@virsci.com)

**T**he time has come, finally, to fix our broken health-care system," says Tom Daschle in the close of his best-selling book, "Critical: What We Can Do About the Health-Care Crisis." Daschle, of course, is Obama's choice for Secretary of Health and Human Services. He will also lead a new White House office of health reform. Jeanne Lambrew, who helped Daschle write the book, will serve as deputy director of this new policy office, which will coordinate efforts within the Administration, the Congress and across the country to attempt to pass health care reform.

To paraphrase General Patton, "Daschle, you magnificent bastard, we read your book!" Which is what all pharmaceutical executives and marketers should do. After all, Daschle warns that the "health-care industry would have to reconsider its business model" and, as we all know, pharmaceutical companies are part of the "health-care industry."

For those among you who do not have time to read Daschle's book, I have done it for you. This article summarizes the main points Daschle makes and reveals his plan for "fixing" the problem.

#### **Daschle's Plan in a Nutshell**

In the first part of the book, Daschle summarizes the crisis in healthcare, the history of reform efforts that failed, and an analysis of what went wrong. As he repeatedly states throughout the book, Daschle was a participant in that history and vows to apply the lessons he learned to develop a plan that is "pragmatic" and reject "rigid" ideology. "We simply can't let the perfect be the enemy of the good," says Daschle.

The core aspects of Daschle's plan is to focus reform on existing federal health programs—Medicare, Medicaid, and the Veterans Health Administration—which currently provides health care to 100 million people. To carry out the reforms, which we will get to in a minute, Daschle proposes a Federal Health Board, modeled "loosely" on the Federal Reserve System. According to Daschle, the Federal Health Board's main job would be to "develop the standards and structure for a health system that ensures accessible, affordable, and high-quality care."

These standards would apply only to federal programs and contractors, but would serve as a model for private insurers. "If an independent board created a single set of standards for all these programs," says Daschle, "it would exert tremendous influence on every other provider and payer, even those in the private sector."

#### **Addressing the "Single-Payer" Fear**

Daschle points out that most of the world's highest-ranking health-care systems employ some kind of "single-payer" strategy whereby the government is responsible for paying doctors, hospitals, and other healthcare providers. "A pure single-payer system is politically problematic in the United States," says Daschle, "at least right now," he ominously adds.

Daschle is very wary of "opponents of reform" who have "demonized government-run systems as 'socialized medicine.'" The opponents he most often talks about are physicians, the pharmaceutical industry, and patient advocates. "The drug industry often locks arms with patient advocates to ensure a certain drug is covered by insurance, and this patient-provider pincer movement is extremely powerful. Doctors, hospitals, and insurers are important constituents for members of Congress, and they spend vast sums on lobbying."

#### **Expanding Coverage**

Instead of creating a "pure model" system—whether it be a single-payer, employer-based, or free market system—Daschle favors building on the system we already have.

Daschle notes that nearly 80% of Americans are covered through the employer-based system or through Medicaid, State Children's Health Insurance Program, or Medicare.

To reach everybody else, Daschle proposes to expand the Federal Health Benefits Program (FEHBP) or create a group purchasing pool like it. Insurance through that group could come from private plans or from a government-run insurance program modeled after Medicare. The government would subsidize the program by providing financial help or refundable tax credits to people who are not able to afford coverage.

The new program, says Daschle, would have "tremendous clout to bargain for the lowest prices from providers and push them to improve the quality of care." Private insurers would need to lower costs to compete with the government's plan.

Although Daschle notes that some employers do too much to cover their employees healthcare costs and some don't do nearly enough, he does not support an "employer mandate" that requires all employers to provide health insurance to their employees. "I believe that the right balance is in between: providing an FEHBP-like group purchasing pool, and assistance independent of work, but allowing employers to either continue to cover workers or to help finance the pool's coverage."

*Continues...*

# What's the Future of DTC Advertising?



**SURVEY**

Should DTC ads be banned?  
What about a moratorium?  
Are DTC ads fairly balanced?  
Will DTC spending decrease in 2009?

Your opinion matters.  
Please take our survey today!

**Pharma Marketing News**  
*News & Views for Responsible Marketers*

Please take a few minutes to tell us your opinion of the future of Direct-to-Consumer (DTC) advertising.

More info here: <http://tinyurl.com/3qonlu>

Take the survey: <http://tinyurl.com/43mw2x>



**Pharma Marketing News**  
**Survey**

Take the [PMN Reader Survey](#) and save money on special supplements. **ALSO, THANK YOU!**

# ePharma Marketing Special Supplement Volume 2



**New!**

Section 1:  
Is Pharma eMarketing at a Tipping Point?

Section 2:  
Emerging Trends & What's Next

**Order Online NOW!**

## Pharma Marketing Vendors

### LISTING OPTIONS

**ENHANCED:** Large, bold color font for name; Up to 125-word description; Active (clickable) Web and email links; Logo; PLUS...Your company name appears prominently NEAR the TOP of the page in the "Recommended Vendors" menu in bold text. **\$74.95** per Year

**PREFERRED:** Same as Enhanced, BUT up to 250-word description; PLUS...Your company name AND small logo appear prominently AT the TOP of the page in the "Preferred Vendors" menu in bold text. **\$149.95** per Year

**SPONSOR:** Same as Preferred, BUT includes banner ad at top of page. **\$295.00** per Year

[DETAILS AND ORDER ONLINE HERE](#)

I suppose by “finance,” he means new taxes. Small businesses can save money, Daschle implies, by switching ALL their employees to an FEHP plan.

### PhRMA Supports Private Insurance Coverage

The pharmaceutical industry is poised to fight Daschle’s plan to expand federal coverage through new programs. In August, 2008, PhRMA announced its “Healthcare Reform Platform,” which “supports private health insurance expansions as the best way to promote competition, choice, and innovation,” according to the summary document (see <http://tinyurl.com/6cokmr>).

### Medicare Part D Tinkering

PhRMA may be wary of expanding federal programs because it is likely that Democrats will enable these programs—including Medicare—to negotiate prices. In his book, Daschle describes the Medicare Modernization Act, which specifically prohibited price negotiation by the government, as “a huge handout to the drug and insurance companies and came at an extraordinary cost.” While he does not mention price negotiation, he does say that Medicare’s solvency is “threatened by overpayments to private insurers built into the legislation” and “the manufacturers of new drugs and devices can wield significant influence over whether Medicare covers their products, and how much the government will reimburse hospitals for them.”

### Evidence-based Reforms

Aside from group purchasing power, negotiating prices, and subsidies via an expanded federal health system available to all Americans, Daschle proposes to lower healthcare cost by “steering providers toward drugs, treatments, and procedures that yield the best results at the lowest cost. If we want to get health-care costs under control, we’re going to have to pay more attention to whether we’re getting our money’s worth.”

Here’s just a few reforms promoted by Daschle to accomplish this:

1. Promote research that compares drugs to determine which ones deliver the “best bang for the buck”
2. Develop national quality standards, measure the quality of providers against those standards, and make the results public
3. Promote evidence-based medicine and balancing cost versus benefit of treatment
4. Shift to pay-for-performance

Keep in mind that he’s talking about mandating these reforms only for federal health programs and contractors. It is anticipated that private insurers

and all healthcare providers will have to follow the fed’s lead in order to compete. For the entire healthcare system, Daschle recommends creating tax breaks for health-care providers that adopt the latest information technologies or providing loans or loan guarantees to health-care institutions to upgrade their computer systems, among other things.

### The Massachusetts Model

Daschle often cites the Massachusetts health care reform law that was enacted in 2006 as a model for how it is possible to cut the Gordian Knot in the battle for healthcare reform: leadership and moral persuasion.

In Massachusetts, says Daschle, “state lawmakers turned over the hard decisions on benefits to the Commonwealth Health Insurance Connector Authority, a move that made it much easier to come to an agreement on a broad reform plan.” Daschle’s Federal Health Board is based on a similar strategy.

### Role of the Federal Health Board

Daschle envisions an independent Federal Health Board comprised of clinicians, health benefit managers, economists, researchers, and other experts who will be charged with establishing the reformed federal health system’s framework and filling in the details. Specifically, the Board will:

- Set the rules for the expanded FEHBP, placing conditions (eg, no denial of coverage conditions) upon private insurers wishing to participate;
- Promote “high-value” medical care by recommending coverage of those drugs and procedures backed by solid evidence;
- Take a harder look at the “real costs” and benefits of new drugs and procedures;
- Counter the “smoke and mirrors” of drug company marketing to consumers and physicians with “hard facts on the value of devices, drugs, and services”;
- Create the right incentives by paying providers based on health outcomes, rather than services provided;
- Make the health-care system more transparent.

“The Federal Health Board wouldn’t be a regulatory agency,” says Daschle, “but its recommendations would have teeth because all federal health programs would have to abide by them, and those programs account for 32 percent of all health spending.”

*Continues...*

**Call for Health Care Community Discussions**

One thing that Daschle learned from past mistakes is not to wait too long after Obama takes office to mount a major push for reform. In fact, the reform process began on December 7, 2008, when Obama invited Americans to spend part of the holiday season talking about health care—and report back to him (see “Obama Asks Nation for Input On Reforming Health System”; <http://tinyurl.com/6xbxn7>).

"In order for us to reform our health care system, we must first begin reforming how government communicates with the American people," Obama said in a statement. "These Health Care Community Discussions are a great way for the American people to have a direct say in our health reform efforts."

Apparently, more than 10,000 people have submitted comments on healthcare reform to the transition Web site, [www.change.gov](http://www.change.gov). Daschle is heading the effort and has vowed to send discussion packets to anyone willing to host a party from Dec. 15 to 31.

Pharma Marketing Network is doing its part by hosting the Health Care Community Discussion Forum dedicated to a "virtual" brainstorming discussion where anyone can post ideas (see <http://tinyurl.com/6oczsv>).

**Recession or No Recession, Reform is Coming**

When Obama announced that Daschle would be his Secretary of HHS, he said his administration would press ahead quickly on national healthcare reform despite the deep recession and soaring federal budget deficit.

"Obama said that with American businesses burdened by health costs that hurt their ability to compete globally, and millions of uninsured people unable to afford care, sweeping national health reform has become more urgent," reported the Boston Globe.

"Now, some may ask how at this moment of economic challenge we can afford to invest in reforming our healthcare system," he told reporters at a news conference in Chicago. "And I ask a different question: I ask, how can we afford not to?"

**Pharma Marketing News**

---

**Pharma Marketing News**

---

*Pharma Marketing News* is an independent, free monthly electronic newsletter focused on issues of importance to pharmaceutical marketing executives. It is a service of the Pharma Marketing Network, which brings together pharmaceutical marketing professionals from manufacturers, communications companies, and marketing service providers for wide ranging discussions and education on a multitude of current topics.

[Subscribe Online](#) • [Download Media Kit](#) •  
[Request a Rate Card](#)

**Publisher & Executive Editor****John Mack**

VirSci Corporation

[www.virsci.com](http://www.virsci.com)

PO Box 760

Newtown, PA 18940

215-504-4164, 215-504-5739 FAX

<mailto:johnmack@virsci.com>