

Student Handout #2

Deal or No Deal?

Background: Obama's Goals for Health Care Reform

When Barack Obama ran for president, he campaigned to reform health care and make health insurance available and affordable for all Americans. He proposed changing some of the industries' policies that he believed limited people's access to health care, such as denying coverage for people with pre-existing conditions, restrictions on allowing people to keep their insurance when they change or lose their jobs, and guaranteed issue or eligibility to enroll a health insurance plan.

Candidate Obama promised to reduce the long-term growth of health care costs for businesses, individuals and the government. He said he would protect families from bankruptcy or massive debt and having to choose between carrying adequate health care and paying their bills. He pledged to reduce the cost of prescription drugs and make medications more affordable. He also supported the creation of a "public option," a government-run health plan that would compete with private insurers to keep health care plans affordable.

To accomplish these goals, the president knew he would have to gain support from the health insurance companies and the pharmaceutical industry. He decided to include them in the process and avoid having them campaign against any reform.

Activity Directions: In your small group, review the deal you were assigned and discuss the related questions. Then be prepared to share your recommendations with the class.

Deal # 1 Health Insurance Industry Proposal: The health insurance industry understands the American public is demanding change in health care. The industry has publicly stated that it is committed to change and restructuring the way health care is administered in the country. It is committed to helping the Obama administration arrive at a workable solution. Here is what the health insurance industry proposes:

- It supports universal health care coverage. To ensure universal coverage, the health insurance industry proposes a mandate in the bill that all people must buy health insurance. That way, the pool of participants will be large enough to offer lower, more affordable premiums per customer through a balance of high-risk and low-risk clients. The mandate will also help to eliminate the provision on denying coverage due to pre-existing conditions.
- The industry rejects a public option—a government-administered health care plan that provides health care coverage for individuals or companies that cannot afford to buy private health care coverage. The industry believes this proposal is counterproductive. If allowed, the government could always offer lower premiums than the for-profit companies. Small businesses or individuals might feel compelled to drop their coverage to save money and opt out of private health care coverage.
- The industry will support health care legislation only if these two conditions are met. Otherwise it will campaign against it.

Discuss the following questions:

- Do you feel the health insurance industry is being reasonable in proposing this compromise in light of the promises it made to work with the Obama administration?
- List the advantages and disadvantages of this proposal in meeting the Obama administration's goals.
- If the Obama administration were to accept this proposal, how would it reconcile its decision to its political base in light of Obama's promise to create a public option during the election campaign? How important is it for the administration to remain true to Obama's campaign promises when passing such a complex bill?
- Do you recommend that the Obama administration agree to this proposal? Explain your reasons.

Deal # 2 Pharmaceutical Industry Proposal: During Barack Obama's presidential campaign, he said he wanted to put an end to what he described as an old Washington political culture of playing favorites and making backroom deals. He was highly critical of the deals made in passing the Medicare Prescription Drug Bill in 2003, which did not compel drug companies to reduce their prices and prevented citizens from getting less expensive medications from Canada. Over the next five years, drug company profits skyrocketed. With health care reform, President Obama said he wanted to find a way to make prescription drugs more affordable. The pharmaceutical industry lobby, PhRMA (Pharmaceutical Research and Manufacturers of America), understood there was a lot of momentum behind reform and wanted to get in early and make a deal.

PhRMA proposed to cut \$80 billion in projected costs to taxpayers and senior citizens over 10 years. This would include:

- Increasing the Medicaid rebate from 15 to 23 percent, cutting medication costs for low-income individuals
- Allowing medication to be sold to Medicare patients at a 50 percent discount
- Help defray government's costs of administering the programs, but not to exceed the \$80 billion limit

In exchange, the Obama administration would agree to:

- Oppose any congressional effort to demand additional savings from the pharmaceutical industry beyond the \$80 billion allotted in the deal
- Prohibit the importation of less costly foreign drugs or generic drugs identical to the drugs sold by the pharmaceutical industry in America
- Reject any legislation that would give the government the authority to negotiate lower prices for drugs
- Oppose moving more expensive Medicare Part B medications to Medicare Part D, which offers lower prices for patients

Implied in all this was a threat that if the government didn't agree to the deal, the pharmaceutical industry had a "war chest" of \$150 million to scuttle the health care reform bill with attack ads.

Discuss the following questions:

- Why do you think the pharmaceutical industry made such a proposal?
- List the advantages and disadvantages of this proposal in meeting the Obama administration's goals. Will this plan benefit the American people? If so, how? If not, why not?
- If the Obama administration were to accept this proposal, how can it reconcile this to its political base in light of what Obama promised during the election campaign? Why would that be important to the administration?
- Do you recommend that the Obama administration agree to this proposal? Explain your reasons.