

## After 75 years, US all set to revamp its \$2.5 trillion healthcare system

17 December 2009 | News

image not found or type unknown



The US Senate has voted on November 22 to open a full-fledged debate on President Barack Obama's most ambitious plan to overhaul the nation's healthcare system which will cost more than \$1.2 trillion in the next 10 years.

**analysis** The pharmaceutical industries around the world can hope to garner a significant chunk of the new spendings expected on providing healthcare to additional 32 million uninsured Americans within a decade

There is good news for the global pharma industry. For the last three decades many countries in Asia have prospered supplying a variety of goods bought in large numbers by American consumers, who often overextended themselves and went on shopping binges on credit.

Healthcare is also one of the prime movers of the US economy. At \$2.5 trillion, it accounts for a sixth of the nation's GDP. Most Americans working in the industrial sector were provided expensive health care through a combination of insurance policies underwritten by their employers, covered only about half the citizens.

People who were outside the formal employment system have to buy expensive insurance policies from insurance companies. Various studies had estimated that over 50 million Americans did not have any insurance cover. If the current system continued, experts expected at least 57 million Americans to remain uninsured by the year 2019.

Presidents from the Democratic Party had tried many times in the last 75 years to devise schemes which will be funded by the government to enable millions of poor, uninsured citizens to get access to affordable healthcare.

President Obama has come closer than any Democratic leader in the last year to make their party's major election plank a reality within a year of assuming office.

The Democratic Party of President Obama crossed the first hurdle when the country's House of Representatives approved on November 27, a legislation sponsored by one of the party members. America's Affordable Health Choices Act of 2009 (H.R. 3962), unveiled an \$848 billion, 10-year plan to extend a government-supported insurance scheme to enable millions of uninsured Americans to get the benefits of modern health care.

About 25 million of these newly insured individuals would gain coverage as a result of the expansion of Medicaid and the Children's Health Insurance Program (CHIP). Medicaid eligibility would be expanded to include all legal residents with income under 150 percent of the Federal Poverty Line (FPL).

A similar legislation has to be passed by the country's Upper House of Parliament, the Senate. Both the Houses of Parliament will then resolve their differences in the legislations passed by them which will then be sent to the President for final approval.

On November 22, the Senate approved with majority votes (60-39) in a 100-member house, to start a full debate on the legislative changes sought by Democrats to overhaul the \$2.5 billion healthcare system.

This is not the last word. The Democratic Party's proposals will be debated intensively throughout December and by early January 2010, an appropriate legislation will go to the President for approval.

"Tonight we have the opportunity, the historic opportunity to reform health care once and for all," said Senator Max Baucus, Democrat of Montana, and a chief architect of the legislation. "History is knocking on the door. Let's open it. Let's begin the debate." Baucus was quoted saying this by The New York Times, on the night of November 22 when the Senate approved the proposal by a rare, voice vote.

"The healthcare debate is now officially under way on this 2,074 page, multi-trillion-dollar healthcare experiment," Republican Senate leader Mitch McConnell said. He said the final Democratic holdouts had to "twist themselves into a pretzel" to justify voting to move ahead on the Bill. Almost all Senate Bills that clear the first hurdle eventually pass, he said.

The US government will have to find resources to fund the additional expenses. Nearly \$460 billion will be raised in the next 10 years through additional taxes on individuals earning \$500,000 a year and couples \$1 million. According to a report by the US Congressional Budget Office, US government intends to save more than \$130 billion through spending cuts and efficiency measures.

In addition, the government hopes to trim the expenses under the current Medicare scheme by at least \$400 billion in the next 10 years so that these funds could be used to finance the new insurance schemes. Some additional taxes on medical device makers is expected to net \$20 billion.

The Republican Party has been strongly opposing the new measures. It has quoted reports from the Centers for Medicare & Medicaid Services (CMS), which has found that these deep cuts to Medicare would likely result in real reductions in care, resulting in some hospitals and nursing homes refusing Medicare patients altogether.

The Republican line is that hospitals will prefer to treat patients with higher-paying private insurance policies. And so millions of elderly Americans who possess the subsidized, affordable insurance policies will be denied access or provided only substandard services as hospitals tried to keep their costs within the budget.

Most experts agree that President Obama will have his way and the dream plan to extend the benefits of medical insurance and Medicare to millions of more Americans will become a reality in 2010.

This will also have far reaching beneficial effects for the global pharma industry. The US accounts for more than 40 percent of the global pharma sales and the next biggest market (Japan) is one-tenth the size of the US at just \$ 60 billion.

The US government will push for steps that will lower the costs of medicines and in such a strategy, generic medicines made in Asian countries will get a big push.

The US market has been slow to accept the entry of conventional generic medicines as well as biosimilar products of many biotech blockbuster drugs. Over the next few years, the push to reduce US health care costs could lead to a boom time for top quality, competitive generics pharma companies in Asia.

In addition, more manufacturing may shift to Asia to keep costs down and there will be more clinical trials of drugs besides drug discovery work to keep the overall development costs down. Asia's quality drug makers can certainly look forward to better times.

