TALKING ABOUT REAL HEALTHCARE REFORM WITH GOV. HOWARD DEAN

Former Vermont Governor Howard Dean has been outspoken during the healthcare reform debate about the need for "real" reform. He shares some of his thinking on this topic with DTC Perspectives in advance of his presentation at the DTC National in April.

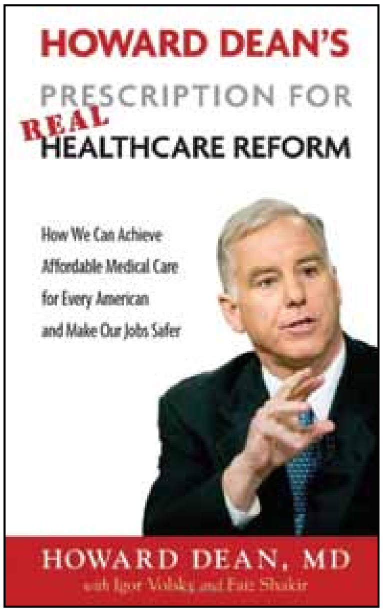
Howard Dean, as the former chairman of the Democratic National Committee (DNC), knows quite a bit about the way Washington works. As a former governor of Vermont and a 2004 candidate for the Democratic nomination for President, he has a sense of the public pulse and sentiment. And, as a doctor, he knows about the healthcare system in America.

The combination of these factors is perhaps what makes Dean so passionate about the healthcare reform issue. He's talked and written extensively (see sidebar on page 18 with highlights from a *Washington Post* op-ed article published in December) on the topic. Dean also founded the organization, Democracy for America (DFA), in 2004 to build upon the grassroots momentum his campaign for the presidency had sparked. He subsequently became chairman of the DNC and was instrumental in helping the Democrats take back Congress in 2006 and win the White House in 2008.

Asked about how the confusion and disappointment surrounding the reform effort and how that might impact Democrats in the November mid-term elections, Dean said this will depend on what kind of progress the party makes over the next several months. It's not a foregone conclusion, he said, that Democrats will be hurt in November. "People voted to end business as usual in Washington and they are obviously not kidding," he said. "And they haven't seen that yet." However, he does express some disappointment in recent moves by the party to gain consensus on the important healthcare issue. For example, he was not convinced of the need to revamp the healthcare reform package in the Senate in late 2009 in the effort to gain broader support of the measure at the expense of the average citizen. "We've just got to stop trying to cut deals with the special interests, which is what we were doing when we were making deals with [Sen. Joseph] Lieberman and [Sen. Ben] Nelson," Dean noted. "They were clearly representing the insurance industry. We were elected to clean house in Washington [and] so far we haven't done that. That's what the electorate expects of us." As evidence that there's strong support for a more thorough attempt to overhaul healthcare, Dean points to polling data from January following the surprise win in Massachusetts by Republican Scott Brown in the election to fill the seat of the late Sen. Ted Kennedy. The poll by Democracy for America found that among Obama voters in 2008 who stayed home in the Massachusetts' special election, a 6-1 margin favored a public option for health insurance and 80 percent of this group thought the Senate's reform bill did not go far enough. "So this is kind of a convergence of populism on the left and populism on the right," Dean said of the polling results in Massachusetts. Voters didn't want to give a 60th vote in the Senate to Democrats to pass the healthcare reform bill because they didn't think the bill went far enough. "It's very interesting," Dean added. "The results [of the Brown election] are not what the pundits in Washington say they are, which is not a surprise because Washington is the last city in America that has any idea of what's going on in the rest of the country."

Dean on DTC advertising

Many marketers and agency executives recall that former Gov. Dean was not very positive in his view of DTC advertising as a candidate. He has not mellowed over the past six years, yet he does have a favorable view of the pharmaceutical industry and its role in the healthcare marketplace.



The pharmaceutical industry offers Americans a very good cost / benefit relationship, he noted. "Their products save huge amounts of money to the system as a whole. Are they doing a good job overall? Yes," he added. But, on the other hand, Dean said he thinks pharma companies have suffered "because they have participated in and made some very bad political decisions over the last 15 years. And I also think that direct-to-consumer advertising harms them in the public's view…But I think, in general, it's a terrific industry."

In explaining how the pharmaceutical industry is hurt by DTC advertising, Dean cited the issues of advertising cost and the public relations aspect of doing consumer promotion. "I think the public is of two minds [about DTC]," he noted. "DTC is effective, there's no question about that. But it also brings the attention of the public to the fact that [pharma companies] spend a huge amount of money on advertising for products [the public] can't get without going to see a doctor. So essentially what the companies are doing is putting pressure on professionals to alter their prescription habits by trying to influence the patient…And [patients] see this enormous amount of money being spent, and they know that they are paying those costs eventually, because, of course, those costs have to be recouped by the companies," he said.

Asked if he would advocate to the industry that it consider dropping direct-to-consumer advertising, Dean said he understands that this form of commercial speech is protected by the courts and that it would take an industry agreement to curtail advertising. "The courts have decided that this is commercial free speech," he explained. "So the only way to drop DTC would be if all the companies agreed to do it. It's very clear that companies can expand and contract their market share by using DTC. So the industry would have to do what the hard-liquor industry does, and make an agreement not to advertise on television. There is not a ban on advertising hard liquor on television, it's by agreement. That is what you would have to do in the drug industry. And that would be hard to do, but I think it would be a good thing."

He added, "Drug companies are going to make the economic argument – for market share – in their defense of DTC, and I understand that. But I also think there is a PR problem that started a long time ago, which I think, incidentally, is getting better mainly because of Medicare Part D." The PR "problem" has softened mainly because more seniors are receiving Rx drug coverage under Medicare Part D and "they don't have to bear the full brunt of very expensive products, which I might add does a great deal of good." He also said he believes the $80 billion "deal" that pharma and President Obama has reportedly reached to move healthcare reform forward – a deal that appeared dead in mid-February following the resignation of Billy Tauzin as head of the PhRMA association – would have been a "fair deal" for both the industry and the public. "I think this was a fair deal for both sides," Dean said, "because what they agreed to do is essentially is trade volume for margin. The pharmaceutical companies are basically going to cover the cost of closing the donut hole, or most of it, which is a big deal and a very important thing to do. But of course they are going to get the business from it, too."

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How to reform healthcare

Early this year, Dean said he would be in favor of the House working to pass the Senate version of healthcare reform, however, that idea did not gain traction in Washington. "What I am hoping [Congress] will do is actually pass something substantial," he said at the time. "But if they could do some real health insurance reform that is better than nothing. There isn't much health insurance reform in the Senate bill."

Dean said he has given up, for now, on the idea of getting comprehensive healthcare reform. "My advice is to allow people to sign up for Medicare if they are over age 55, to do the Medicaid expansion that exists in the House's bill," he noted. "Those are things that allow people to get insurance before the next election. If we don't have some people benefitting from this bill in significant numbers before the next election, then I think the Democrats are going to continue to pay a big price for this. You can't pass a bill that people can shoot at without some benefits that you can point to. And you can't point to the benefits in the abstract. You have to have real benefits."

His advice to legislators is to try to "pass a very simple set of health insurance reforms, including eliminating the discrimination against pre-existing conditions," among other ideas such as extending health insurance until for "children" until they are 28 years old, which is part of the Senate bill. "There are some minor health insurance reforms like that that could make a difference to some people. Obviously, this isn't comprehensive healthcare reform, but that died a long time ago," he said.

Putting pressure on insurers

Asked whether employers could pressure insurance companies to keep costs down, Dean said this idea has not worked in the past. "That has been tried for 30 years, and it hasn't worked at all," he noted. "Believe me, every employer tries to put as much pressure on their insurance companies [as they can], but it just doesn't work." Instead, what could improve the current system is by creating more competition for insurers. "They need competition. Insurance companies have a problem," Dean explained. "They have a built-in conflict of interest between the fiduciary responsibility to their shareholders and the responsibility to their customers. And the customers lose every time. They simply get rid of customers who cost them too much money. That's why the public option was so important in health insurance reform." DTC

Dean Addresses Reform Effort In *Washington Post* Op-Ed

In mid-December, former Vermont Gov. Howard Dean addressed the healthcare legislation that was passed by the Senate, writing in The *Washington Post* that the proposal was "not real healthcare reform." Dean wrote in the op-ed piece that, if he were in the Senate, he would not vote for this legislation.

"Any measure that expands private insurers' monopoly over healthcare and transfers millions of taxpayer dollars to private corporations is not real health-care reform," he wrote. "Real reform would insert competition into insurance markets, force insurers to cut unnecessary administrative expenses and spend healthcare dollars caring for people. Real reform would significantly lower costs, improve the delivery of healthcare and give all Americans a meaningful choice of coverage. The current Senate bill accomplishes none of these."

In the article, Dean noted that he believes real reform of the current healthcare system would "eliminate discrimination based on pre-existing conditions. But the legislation allows insurance companies to charge older Americans up to three times as much as younger Americans, pricing them out of coverage."

He said the Senate bill does not give Americans any choice of what kind of health system they prefer to enroll in, but rather imposes fines on those people who do not agree to sign up with an insurance company. He added in the op-ed piece, "Few Americans will see any benefit until 2014, by which time premiums are likely to have doubled. In short, the winners in this bill are insurance companies; the American taxpayer is about to be fleeced with a bailout in a situation that dwarfs even what happened at AIG."

When the debate about reform began, Dean explains, the "progressives" have favored some kind of public option or a buy-in to the existing Medicare insurance program, moves that could restore competition and "hold the private health insurance industry accountable." He added, "Progressives understood that a public plan would give Americans real choices about what kind of system they wanted to be in and how they wanted to spend their money. Yet Washington has decided, once again, that the American people cannot be trusted to choose for themselves. Your money goes to insurers, whether or not you want it to."

Still, Dean wrote that he would not give up on seeking healthcare reform – and noted that the Senate bill does have some positive elements, such as expanding the Medicaid benefit and permanently increasing the federal government's contribution to Medicaid. "[The Senate bill] invests critical dollars in public health, wellness and prevention programs; extends the life of the Medicare trust fund; and allows young Americans to stay on their parents' healthcare plans until they turn 27," Dean wrote. "Small businesses struggling with rising healthcare costs will receive a tax credit, and primary-care physicians will see increases in their Medicare and Medicaid reimbursement rates."