



This Month's Acronyms:

PhRMA-Pharmaceutical Research and Manufacturers of America

DTC- Direct to Consumer Advertising

McKesson May Settle

AWP Lawsuit

Facing up to \$15 billion in claims, McKesson may be forced to settle a class action suit. In court the case would be tried under the Racketeer Influenced and Corrupt Organizations Act (RICO), resulting in tripling the damages awarded. McKesson and First DataBank are accused of manipulating published average wholesale prices (AWP). The pricing system used industry wide to set pharmacy reimbursement rates on drugs. Plaintiffs claimed that the AWP's for over 400 prescription drugs were arbitrarily increased from 2001 to 2005 Pharmacy retailers, not McKesson benefited from the action. Now plaintiffs claim consumers paid \$5 billion in unnecessary drug charges. Without a settlement, a non jury trial will begin in January.

DTC Makeover

DTC ads are in for some changes as legislators have communicated with the PhRMA and gotten commitment from four drug makers to change DTC ads. Pfizer, Merck, J&J, and Schering will follow new AMA guidelines. They'll disclose financial relationships with physician actors, disclose when actors portray MD's in ads and will delay DTC ads for 6 months after new drug introduction. More to come in this area.

Managing Change...

Federal Reserve Chairman, Ben Bernanke, makes it clear; health care costs have a tremendous impact on the U.S. economy. He suggests an overhaul of the health care system using an "eclectic approach" as the way to curb costs which will otherwise "rise relentlessly". Bernanke suggests we "first address the problems that seem more easily managed rather than waiting for a solution that will address all problems at once." Legislators agree, all Americans need insurance, and emphasize a marketplace including private plans as well as government programs.

Employers are invested, as PriceWaterhouseCoopers predicts their health costs will rise at twice the rate of inflation, 10% in 2008. Intel Chairman Craig Barrette says that until now, employers have been passive in health care purchasing. He believes employers are "an agent of change," and notes most industry "has automated itself and now pays less for better quality." The reality check came with Bernanke's warning that improving access and quality of care may actually drive up costs, he also asks, "are we getting our money's worth?"

It's anticipated that employers will try to enhance efficiency,

getting more value for the health care dollar. To begin with they've introduced wellness, prevention and disease management programs, to raise productivity through a healthier work force.

But while "Wellness" remains a buzz word, not all programs are equal. For example, Medicare spent \$360 million since 2005 to address chronic conditions. Nurses periodically called the 160,000 individuals enrolled. At a cost of \$2,000 per member per year, they won't reach their target, a 5% savings. The reasons given: some enrollees had advanced conditions and were extremely ill. There were also delays in getting data on drugs and lab tests which they believe affected outcomes. Medicare points out, the goal of the experiment is to find out what works.

There are other opportunities to lower costs and improve care through technology, such as e-prescribing and electronic medical records. The Health and Human Services Secretary (HHS) called for higher levels of reimbursement for e-prescribing, and financial rewards to prescribers. While it may improve quality, efficiency and safety, it is unclear who will drive the



technology. A former HHS secretary believes insurers should be, telling them, "You, as the controller of who gets paid and how they get paid, can force e-prescribing." Although government grants support it, only 6% of physicians e-prescribed in 2007. For both e-prescribing and medical records, the issues remain: cost, training and manpower. But it's not only technology. Benefit design is critical. A 2007 survey of 18,000 Americans revealed 20% of subscribers delayed or went without treatment due to rising out of pocket costs.

The needs are clear. Policy makers appear to be prime for action.

The Congressional Budget Office hired 21, staffers this year, bringing its health policy team to 51 and the Brookings Institution added a dozen researchers, all devoted to health care innovations. The timing is right for share holders to join forces and manage the changes ahead. Failure to do so would be an opportunity lost.

Medicare Bill

Medicare legislation passed in the House but was defeated in the Senate. Without the bill, the scheduled 10.6% cut in Medicare fee payments to physicians goes into effect July 1. The bill would have addressed other key issues; delaying expansion

of a competitive bidding program for medical equipment for Medicare and would have offered needed incentive payments to physicians for electronic prescribing. It is likely that a legislation to reverse the cut will appear following the recess.

Did you Know: Newly released CDC data reports that 24 million, or 8% of Americans suffer from diabetes. That's an increase of 3 million in 2 years, with another 57 million identified as "pre-diabetes". The good news is that the percentage of people unaware they have diabetes fell from 30 to 25%. A compelling argument for capable disease management initiatives.