

US Healthcare Policy - An INDIAN Perspective

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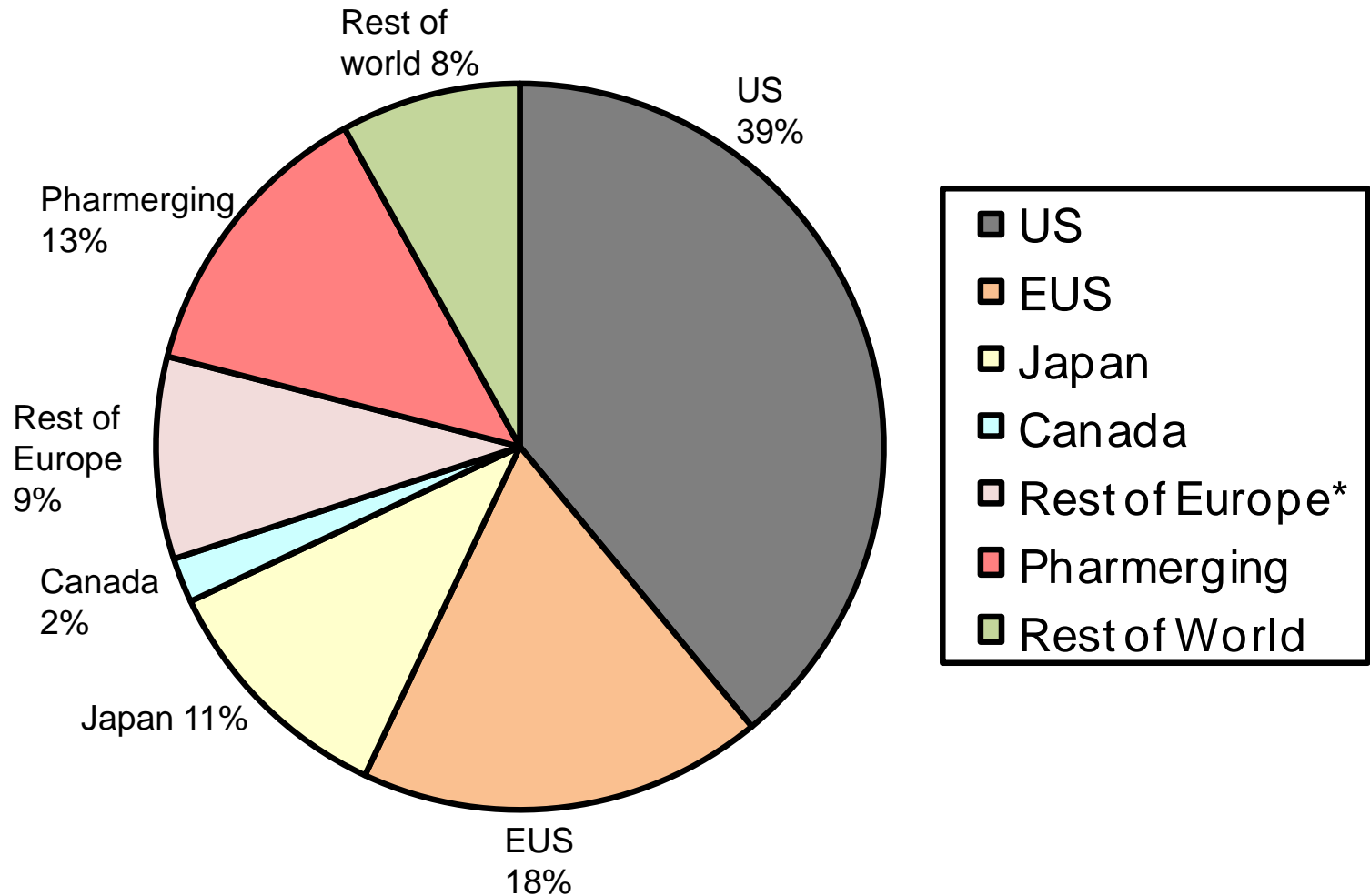




HEALTH REFORM BECOMES A REALITY

MARCH 21, 2010

2009 Market Share, US\$



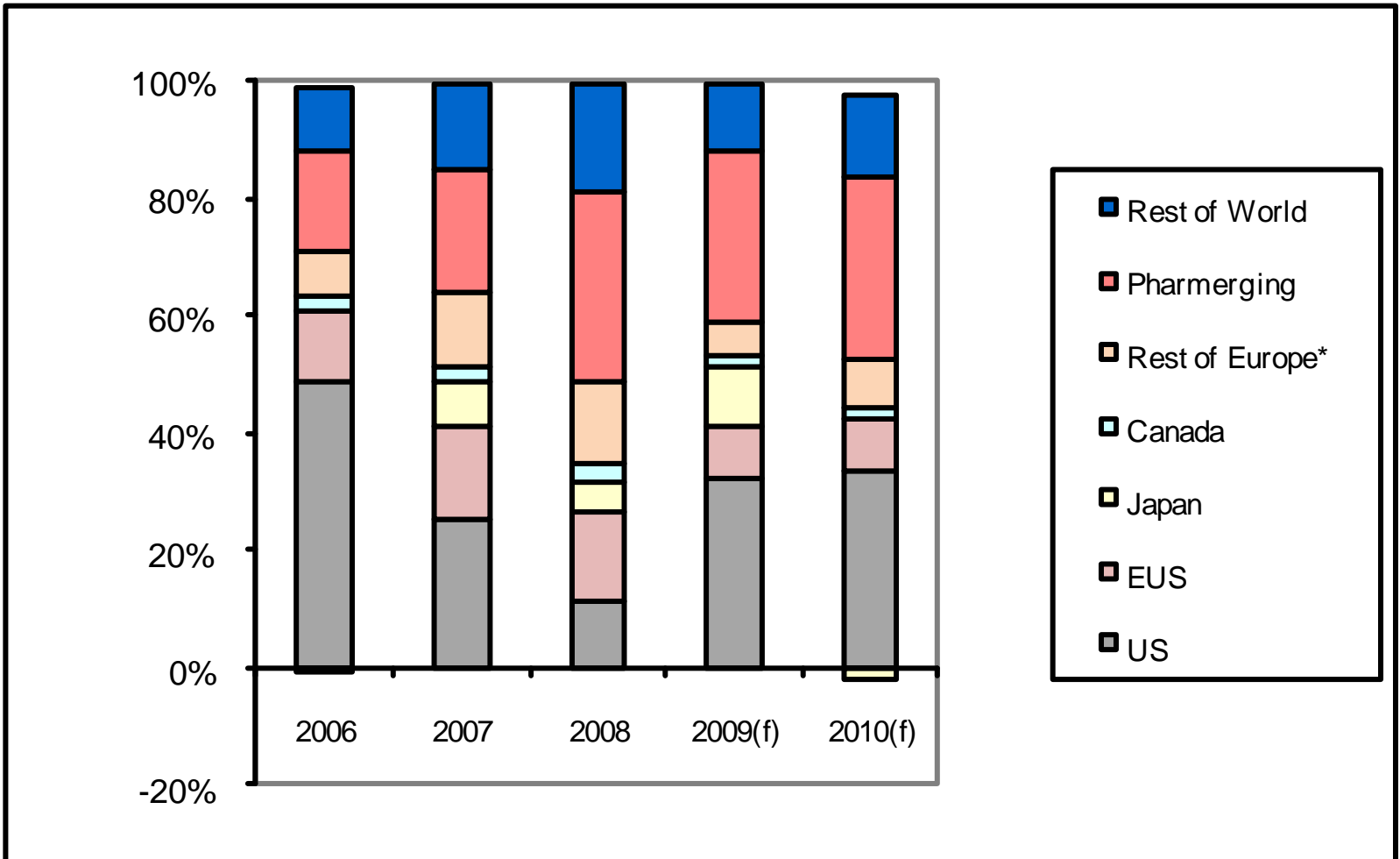
*Turkey & Russia excluded from Europe, included in "Pharmerging"

Source : IMS Health, Market Prognosis, October 2009



2009 Growth Share, %

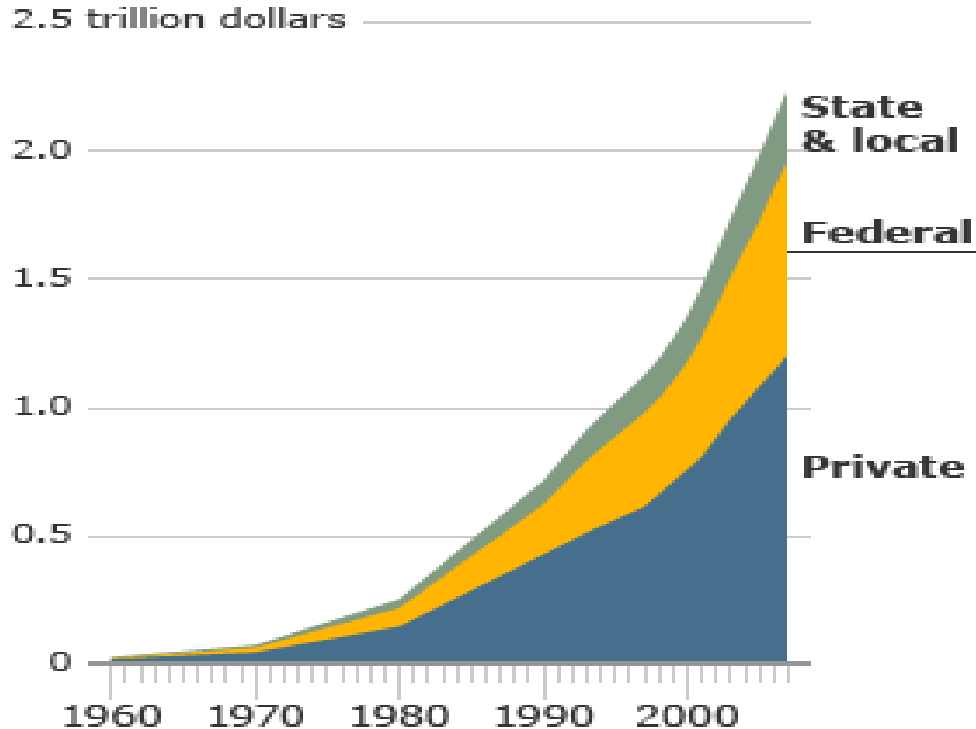
Percentage Growth Share of Countries



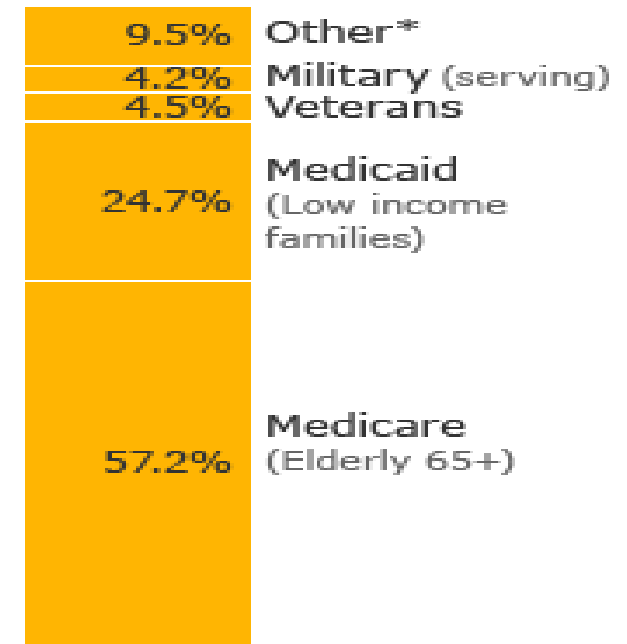
US Healthcare and World Comparisons

Private health insurance costs soar

US national health expenditure
1960-2007



Breakdown of US federal health expenditure, 2007



Total \$754bn

*includes State Children's Health Insurance Program
Source: US Department of Health and Human Services

Healthcare reform is a priority for Barack Obama. The US spends about \$2.5tn a year on its system - which includes private, federal or employer schemes.



What is Obama's Health Care Reform Plan?



Key Features – US Healthcare Reform

Cost	\$ 940 billion over 10 years. Expected to reduce projected federal budget deficits by \$ 143 billion by 2019
Coverage	95% people would gain coverage, leaving 22 million uninsured
Timeline	Most provisions would take effect in 2014
Sources of Funding New Taxes	<ul style="list-style-type: none">• Tax on high-income earners• Tax on “Cadillac” health plans• 10 year industry fees imposed on:<ol style="list-style-type: none">1. Insurance Companies2. Medical Device Manufacturers3. Drug Makers
Individual Responsibility	Penalty: People without coverage would pay a fine of \$ 95 in 2014, which would rise to \$ 695 or 2.5% of income , whichever is higher by 2016



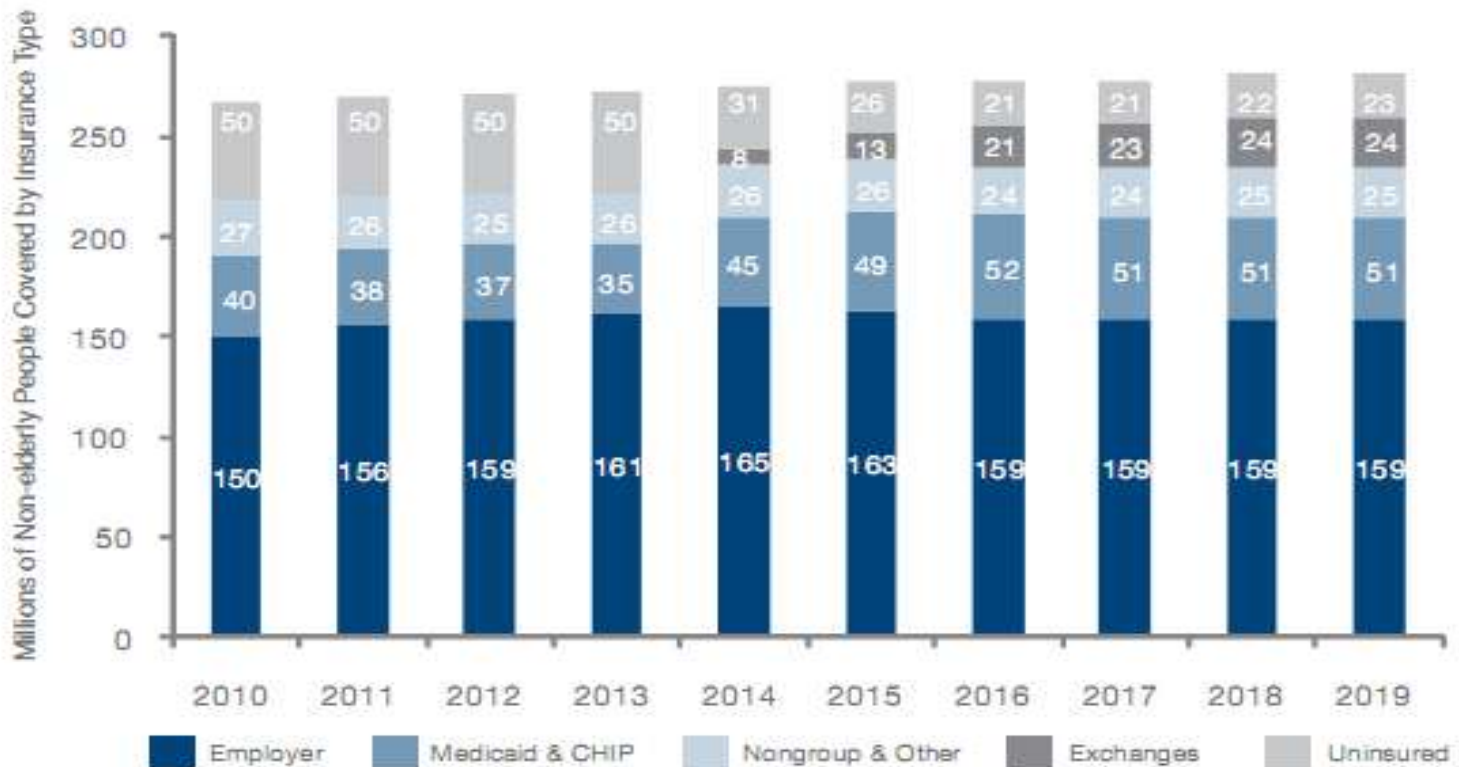
Key Features – US Healthcare Reform

Employer Responsibility	<p>Penalty: Raises the fee that employers must pay if they don't provide insurance to \$ 2,000 per employee.</p> <p>Also, exempts companies from paying the fee for the first 30 employees</p>
Employer Subsidies	<p>Small businesses can immediately apply for tax credits of up to 35% of their contributions toward employee health insurance premia. Beginning in 2014, these tax credits will cover 50% of contributions toward employee premiums.</p>
Fraud and Abuse	<p>Deterrence / Civil and Criminal Penalties: Penalties increased to \$50,000 for each false statement or misrepresentation</p>



Impact on Health Insurance Coverage

Coverage changes over the next nine years due to health reform



Source: CBO Letter to Nancy Pelosi, March 20, 2010



Some Arguments in favour of the Act

- ❖ More security to the lives of so many Americans.
- ❖ Will protect against worst practices of insurance companies.
- ❖ Will give chance to uninsured and small businesses choose an affordable plan from a more competitive market.



Some Arguments in favour of the Act

- ❖ Every insurance plan will cover preventive care.
- ❖ Reduce cost of premium because of intense competition and regulations.
- ❖ Would bring down the deficit by US\$ 1 trillion.



Some Arguments against the Act

- ❖ Goes against popular wisdom
- ❖ Complex – difficult to implement
- ❖ Expensive
- ❖ Appeasement to Insurance Companies
- ❖ Political suicide



Immediate Impact on US Pharmaceutical Companies

- ❖ Impact on Sales & Profit due to higher rebates on drugs sold through “Medicaid” Program.
- ❖ 50% discount for patients in “Medicare” part D Program.



Immediate Impact on US Pharmaceutical Companies

- ❖ J&J, Eli Lilly, Abbott, Amgen and Gilead have given guidance on adverse impact on 2010 performance
- ❖ Companies with high US sales dependency like, Forest, King, Cephalon, Amgen and Shire could be the biggest losers
- ❖ Bayer, Sanofi-aventis, Novartis and Roche may have lesser impact



Impact on Indian Generic Business

- ❖ The Act promotes use of generic drugs.
- ❖ India produces 20% of the global requirement for generic drugs.
- ❖ Indian companies account for 35% of ANDAs.



The Flipside

- ❖ Increase in demand will attract more domestic generic players to compete.
- ❖ Will attract more MNCs in generic business.
- ❖ Immense cost competition.
- ❖ Intense pressure on margin.



Impact on Indian Bio-similar Drug Business

- ❖ A pathway for entry of Biosimilar drugs is now in place.
- ❖ 12 year DE could be an impediment.
- ❖ Since Biosimilar opportunity in US comes in 2015, many such drugs developed in India will cross 12 year exclusivity period by then.
- ❖ Many US biotech companies are looking for lower cost bio-manufacturing destinations.



Impact on BPO Opportunities in India

- ❖ 35 million more Americans will come under insurance cover.
- ❖ Involve millions of new enrollment and transactions.
- ❖ Will require more customer support services.
- ❖ Healthcare Reform makes digitalized records mandatory.



Impact on BPO Opportunities in India

- ❖ Currently less than 30% of physicians in USA have Electronic Health Records (EHRs).
- ❖ Conversion of archival data into compatible formats (Data Entry, Validation, Maintenance) will be a must.
- ❖ Online submission of applications through payers' portal will start.
- ❖ High volume claim adjudication will follow



The Flipside

– Lesser Willingness to Outsource

- ❖ Regulatory and Privacy concerns related to patients records
- ❖ Knowledge of medical procedures and codes
- ❖ Variation between the states within USA



Expected Volume of BPO Business

- ❖ U.S. Government is likely to spend US\$ 15-20 billion on healthcare technology services alone.
- ❖ Bulk of the business is likely to come to India.



What is happening now?

- ❖ Call Centers, Medical Record Transcribers, Software Developers have started building commensurate capacities.
- ❖ Telecom, Banking, Financial Services, Customer Services are the main BPO from US.
- ❖ Currently the size of India's outsourcing industry is US\$ 61 billion.



What is happening now?

- ❖ Healthcare BPO now represents only 5% of the total – this will increase significantly
- ❖ India's big outsourcing firms are setting up operations in the US
- ❖ ET says this is India's biggest BPO Bonanza yet – bigger than even Y₂K



Indian BPO Companies Spreading Wings


❖ **WIPRO**

- Opened a Development Center in Atlanta employing 500 people.
- Runs a Call Center for US Healthcare Clients.

❖ **TCS** in Cincinnati employs 300 people.

❖ **Infosys** planning a subsidiary in Dallas.





The landmark
US Healthcare reform
– now a reality
Should this be
replicated in India?



HEALTHCARE: NOT A PRIORITY IN INDIA?

NDTV



Thank You
