



Every “Medicare For All” Has A Silver Lining

MEDICARE FOR ALL

Health-care stocks were under pressure after the 2020 Presidential candidate, Sen. Bernie Sanders, went on Fox News on Monday night for a town hall, where audience applauded when asked if they would support “*Medicare for All*”. But it’s really yesterday that the whole sector sunk after the CEO of the nation’s largest insurer, **UnitedHealth Group**, expressed concerns about Democratic proposals, intensifying investor fears about new regulations.

Bernie Sanders has introduced recently a new version of his “*Medicare for All*” bill that was a keystone of his 2016 presidential campaign, making Medicare available to everyone and basically getting rid of private health insurance at the same time. It’s evident that Sen. Bernie Sanders is trying to use *Medicare for All* to win over white working-class voters, many of whom supported President Trump in 2016. Frontrunner candidates in the Democratic primary like Sens. Kamala Harris, Cory Booker, Elizabeth Warren have all signed on as co-sponsors to Sanders’s single-payer bill in the Senate.

Financing the *Medical for All* is an immense challenge. About half of world’s countries that have attempted to build single-payer systems failed. That’s Harvard health economist William Hsiao’s estimate after working with about ten governments in the past two decades. The part where it collapses is, inevitably, financial. This is exactly what happened when Sanders’s Vermont attempted to create a single-payer plan in 2014. In fact, at that time it fell apart when the state figured out how much it would need to raise taxes to finance the new healthcare system.

Supporters are saying that savings (insurance premiums, co-payments, administrative costs) would more than offset any tax increases needed to fund the program. In addition, the government would be able to negotiate for lower drug prices. The Political Economy Research Institute at the University of Massachusetts at Amherst estimated that Medicare for All would cut health care spending by around 10 percent to \$2.9 trillion.

The proposal has less than unanimous support among congressional Democrats. Former Colorado Gov. John Hickenlooper is among a handful of presidential candidates opposed to the growing chorus of Democrats pushing for *Medicare for All*. He believes a public option allowing Americans to choose to buy

into Medicaid or Medicare would be a practical first step toward universal coverage. He agrees that the HealthCare system needs to change, but gradually and without the risk that people feel forced into a single-payer system controlled by the government. Minnesota Sen. Amy Klobuchar is another senator running for President that believes that *Medicare for All* is not realistic. Speaker of the House Nancy Pelosi said that she believes *Medicare for All* is more of a slogan for liberal activists versus policy that will actually produce results.

While in some countries (France notably) a “Medicare for All” system works quite well, for the vast majority (UK the perfect contra-example) this is not the case, as by eliminating private health insurances, services and quality of healthcare services tend to decrease quite a bit.

UnitedHealth is saying the same thing. The company is in fact a big player in Medicare Advantage, a fast-growing private form of health insurance for seniors. Medicare Advantage contract with the federal government to provide extra benefits and services to seniors, such as disease management, nurse help hotlines, vision, dental care and wellness programs.

The Centers for Medicare & Medicaid Services under President Trump has changed regulations to allow Medicare Advantage plans to provide broader coverage in the future.

UnitedHealth data shows that seniors in this plan see on average about half the number of doctors as similar seniors using Medicare with a simpler, less confusing and better healthcare experience for patients. It is not a coincidence that seniors are enrolling in private Medicare plans at a record pace, with one-third of the nation’s seniors served today by the private market.

Republicans on the other hand immediately attacked the proposal saying that it’s extreme, and that it would bankrupt the country. Healthcare sector lobbyists are expected as well to put up a vigorous fight against any *Medicare for All* proposal.

The debate over these plans, as well as their objective, details and impact on the healthcare industry, is however expected to play a major role in the Democratic presidential nomination. During that last US presidential campaign, it was pretty much the same as healthcare is always topping the list when it comes to the presidential race.

If we look at our Biotechnology, Bionics and Healthcare M&A portfolios we feel very comfortable on any potential outcome. Volatility is going to stay in the sector until next year’s election, but fundamentals are very strong and even if drug manufacturers would have to negotiate prices with a single payer (the US Government) who has considerable negotiating power, the need for innovation will be always there, and medical progress will not slow down. All of our top positions in the Healthcare themes have, as a common denominator, one main driver that will be even more powerful under a possible Medicaid for All system. They all, in fact, take advantage of the cost reduction efforts.

BioTelemetry, for example, provides cardiac monitoring services, cardiac monitoring device manufacturing, and centralized cardiac core laboratory services. Their main product, BioTel Heart MCOT, has proven to be nearly 3x superior at detecting clinically significant arrhythmias making it 13X return in cost savings as compared to Holter and event technology (Bayer).

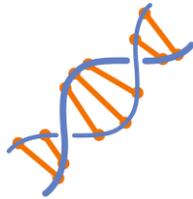
If we look then at the diabetes market, it's evident that is a worldwide epidemic. By 2030 there will be more than 360m patients diagnosed with costs expected in the tune of \$490bn. 80% of the market nowadays rely on multiple daily injections. **Insulet** main product "Omnipod", is an insulin pump, that thanks to its simplicity and ease of use, easier access and discretion, improve outcome (38% reduction in hypoglycaemic episodes) and reduce insulin needs (16% less on average) with a positive effect on the overall cost for the patient and for the system.

Every year \$450 billion are being spent on medications across the healthcare continuum. Drug costs are rising at 10 times the rate of inflation and medication non-adherence is estimated to cost over \$300 billion a year. The complexities in the medication management have led health systems to address the increased volume of patients and medications with a substantial increase in the number of people allocated to administrative tasks with of course an unsustainable increase in costs and inefficiencies. Currently 76% of pharmacist's activity are not-clinical. **Omniceil**, another top conviction position in our portfolios, is leading a transformation of medication management through their vision of the Autonomous Pharmacy. Omnicell offers a powerful combination of medication automation, supply chain, and analytics solutions improving efficiency, reducing labour costs, optimizing inventories/decreasing medication waste and improving patient safety for more than 4,000 hospitals.

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