

## **CAPIS 2010 Healthcare Investor Forum**

### **Recap:**

On April 7, 2010, CAPIS hosted their 2010 Investor Healthcare Forum with analysts from three independent research firms - Richard Evans of Sector & Sovereign, Elliot Favus, MD, of Favus Institutional Research, and Matthew Duffy of BDR Research. Below is an overview of the conference:

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### **Healthcare Reform Act**

- **Changes in the law - there won't be any:**

None of the analysts on the panel thought the healthcare law will be altered in any significant way or ruled unconstitutional.

- **Costs of this bill to individual consumers – very high:**

Richard Evans from Sector & Sovereign predicted that approximately nine years from now, the costs of the new law will begin to noticeably affect the amount of discretionary income available to individual consumers. The implications of this reduced spending power will then spread across the entire economy and will likely affect the revenues and earnings of most companies across all sectors.

- **Unintended consequences of the new healthcare law:**

1. Consumers will pay more for insurance than they do now.
2. Lifetime caps will be reached quicker.
3. There will be a shift towards primary care physicians.
4. Individuals will jump in and out of coverage.

### **Sectors That Could be Winners In 2010**

- **Managed Care Organizations (MCO) – Upside to 2010 earnings possible:**

Richard Evans from Sector & Sovereign indicated that there could be an upside to 2010 earnings estimates in the MCO sector when asked about sectors that could be winners this year. It appears that some Street models have approximately the same medical loss ratios (think of the MLR as the cost of goods sold) modeled for 2010 estimates as they did for 2009, which could prove to be conservative.

- **Medical Devices – Things won't be as bad for this sector under the new healthcare law as once thought:**

The original bill was viewed as having a negative impact on the medical device industry. Elliot Favus from Favus Institutional Research indicated that the final bill had changes in it that made the law less draconian in nature, and that this sector will not experience margin pressure as severe as originally thought.

## Sectors To Avoid In 2010

- **Pharmacy Benefit Managers (PBM) – Business model could be at risk under the new healthcare law:**

Richard Evans from Sector & Sovereign indicated that the new healthcare law puts the PBM model at risk. The group has high valuations now, but the sector could become less relevant in the future.

The opinions are those of independent third-party research providers.

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