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Healthcare Politics: The U.S. Election and Its Potential Impact on the Healthcare Sector

A Research Insights Brief from Janus
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Healthcare has historically been one of the most politically sensitive sectors in the U.S. equity market. With the 2008 presidential election fast approaching, this *Research Insights* brief from Janus reviews some of the dynamics facing U.S. healthcare companies and discusses the potential implications of the changing political landscape on the sector.

Overview

Political decisions in both Washington, D.C., and at the state level can have a significant earnings impact on companies throughout the healthcare sector, regardless of the industry in which they operate or even the country of origin. Whether it's reimbursement policy changes, expanding or contracting eligibility requirements, or changes in policies regarding how the clinical efficacy of a product is judged, legislative changes can dramatically impact investment opportunities within managed care, medical services, pharmaceuticals, biotechnology and medical product manufacturers, to name a few.

As a result, there has historically been an increase in nearterm volatility within the overall healthcare sector in the United States in all electoral cycles, but especially during presidential election years. We believe the increased volatility can provide exploitable opportunities, particularly for longterm investors. We use bottom-up fundamental analysis to source investment opportunities across the healthcare industry with business models we believe can generate excess returns in any political or economic environment over the long term.

It is not uncommon for some investors to look at the historical performance of the different industries within healthcare during previous presidential election cycles and identify opportunities based on these trends and their opinion on which party could win the White House. For the first time in eight years and only the third time in the last 16, there will be a new administration leading the United States. A shift away from the status quo within the healthcare sector is entirely possible especially since both presidential candidates John McCain (Republican) and Barack Obama (Democrat) are promoting healthcare reform. Several trends have once again brought healthcare reform to the forefront: a rapidly aging population; rising medical costs, which have continued their decade-long feat of increasing



faster than either the general rate of inflation or the average American's wages; pressure on affordability of insurance for many U.S. citizens; and a growing number of underinsured and uninsured consumers. Although the U.S. economy and other global issues may have taken center stage in recent months, healthcare reform remains an important issue for many voters.

Read the full research brief from Janus, [**Healthcare Politics: The U.S. Election and Its Potential Impact on the Healthcare Sector**](#). For more information about Janus' thought papers and market perspectives, visit janus.com/info.

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The opinions are those of the authors as of September 2008 and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

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