

HRI as we see it

Weekly insights from the Health Research Institute

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Week of 2/10/2014

This week's regulatory and legislative news:

- **Insurers optimistic despite negative investment outlook**
- **CMS eyes stronger oversight of exchange provider networks**
- **Pharma partnerships focus on data sharing**
- **PCORI announces new funding opportunities**
- **Telemedicine offers a virtual strategy for high-cost ICUs**
- **PwC issues latest report on pharma deals**

Insurers optimistic despite negative investment outlook

A recent [report from Moody's](#) downgraded the US health insurance industry outlook from stable to negative based on predictions of adverse selection in the new exchanges, an "unstable and evolving" regulatory environment, concerns that further cuts to the Medicare Advantage program could disrupt the market, and other factors. In public earnings documents and statements, however, some of the nation's biggest health insurers expressed tempered optimism for 2014 and beyond. "We are encouraged by the trajectory of our membership...and expect to add over a million new customers in 2014," said [WellPoint](#) CEO Joseph Swedish. [Sector analysts](#) estimate that the four largest publicly traded insurers will see sales growth ranging from 4.7% to upwards of 14.5%.

HRI impact analysis: Large health insurers seem to be weathering the storm of ACA regulatory and implementation challenges in part because they are expanding their businesses into new areas. [Aetna's](#) creation of a private exchange is just one example of how companies are extending their reach. "Our early results have been encouraging and speak to the opportunity private exchanges offer," said Chairman and CEO Mark Bertolini. The company has invested significantly in its own proprietary exchange, and expects to pick up 130,000 new private exchange customers in the first quarter of 2014, Bertolini noted. For more on how companies should be thinking about diversification, read HRI's [Top health industry issues of 2014](#) report.

CMS eyes stronger oversight of exchange provider networks

Hospitals and health systems that were excluded from insurance exchange networks may get a second chance under a [series of changes to the certification process](#) proposed by CMS. In a letter sent to issuers earlier this month, CMS officials said they were reviewing provider networks to ensure that individuals have "reasonable access" to hospitals, mental health facilities, primary care physicians and other medical specialists. If a network is deemed inadequate, the insurer may be restricted from selling coverage in public exchanges. This year, CMS relied on insurer accreditation status and state reviews to determine network adequacy. Additionally, CMS plans to increase the number of community providers - those who treat low-income and medically underserved patients - offered by qualified health plans. The agency wants health plans to demonstrate that at least 30% of available community providers in each service area participate in the provider network. This year, the threshold was 20%.

HRI impact analysis: The proposed moves come amid mounting concern by health systems and provider groups - especially academic medical centers and specialists - that were excluded from some insurance exchange plans. For their part, [insurers said they had to squeeze out higher-cost providers](#) to

keep premiums low for new enrollees. If adopted, the measure could pressure insurers that sell coverage on government exchanges to include providers they initially deemed too costly. In addition, states such as Washington, Pennsylvania and Mississippi are weighing their own regulatory measures to increase network oversight.

Pharma partnerships focus on data sharing

Drugmakers are forming new agreements that may help advance drug development through greater transparency. Recently, [Johnson & Johnson signed an agreement with Yale University](#) to make clinical trial data on hundreds of its drugs available to researchers. In an unusual move, the drugmaker handed over decision making authority to Yale, which will review research proposals and determine who will gain access to the company's data. Last week, the NIH announced that it will work with a group of [10 biopharmaceutical companies](#) to study four specific diseases: Alzheimer's, diabetes, rheumatoid arthritis, and lupus. Under the agreement, called the Accelerating Medicines Partnership, manufacturers will share data, scientists, and blood and tissue samples to learn more about how each disease works.

HRI impact analysis: As the drug industry comes under increasing pressure to replenish its product pipeline faster and with fewer dollars, manufacturers must rethink their research methods. Greater transparency and collaboration with academia, government, and competitors may help companies target financial and [human resources](#) towards areas with the most potential for clinical and commercial success. Alternative research approaches that use consumer-generated data, adaptive design, and remote sensing technology may also become more common as companies seek to make clinical trials more efficient and less costly. To learn more about how drugmakers are rethinking research models and investment strategies, see [HRI's report on the top health industry issues of 2014](#).

PCORI announces new funding opportunities

After weathering [criticism that it wasn't spending enough](#) on comparative effectiveness research (CER), the [Patient Centered Outcomes Research Institute \(PCORI\) recently announced](#) that it is making available up to \$206 million for new studies. PCORI was established under the ACA to support research that helps patients and caregivers make better, data-informed care decisions such as which therapies are more effective. The new money will be divided among [eight different research priorities](#). Some of the money will go toward clinical trials or observational studies comparing alternatives for preventing, diagnosing, or treating a disease – such as two different diagnostic tests or drugs.

HRI impact analysis: The recent funding announcement moves the ball forward for publicly funded CER studies. But we are probably still years away from seeing the results of those studies put into action. Once results are gathered, they must be shared with patients and providers and changing behavior among these two groups will be no easy task. [Insurers will play an important](#) role in driving providers and patients toward the most effective care. In [HRI's report examining the customer experience in pharmaceuticals](#), 89% of patients said that insurance coverage was the most important factor in determining what treatment to take, followed by physician recommendations and additional online medication information.

Telemedicine offers a virtual strategy for high-cost ICUs

Telemedicine is emerging as an increasingly viable option to address physician shortages throughout the country, a recent [study](#) reports. The ICU is a particularly good setting in which to implement such technology - according to the [Society of Critical Care Medicine](#), the ICU accounts for only 10% of hospital beds but can contribute to up to 35% of costs. This has led to increased adoption of tele-ICUs - communication and computer systems that link critical care providers to ICUs in other hospitals, often in [remote settings](#), with the ultimate goal of improved outcomes and overhead reduction. Early results are promising; the [American Telemedicine Association](#) reports that more than 50% of US hospitals use some form of telemedicine, and [numerous studies](#) report cost savings while maintaining or improving outcomes. A notable example is UMass Memorial, which was able to [reduce its ICU patient mortality rate by 30%](#) in its tele-ICU program's first year.

HRI impact analysis: While barriers such as high start-up costs have prevented tele-ICU centers from being a viable option in the past, the [New England Healthcare Institute](#) reports that health systems can

see a return on investment for those initial costs in nine months. Positive returns, along with [federal grant money](#), may result in the expansion of telemedicine and tele-ICU programs across the country. To learn more about the changing role of technology in medicine, see [HRI's report on the top health industry issues of 2014](#).

PwC issues latest report on pharma deals

Pharmaceutical and life sciences [merger and acquisition](#) volume and value increased in the fourth quarter of 2013, finishing the year for deal activity on a high note, according to PwC's recent report: [Pharmaceutical and Life Sciences Deals Insights Quarterly](#).

Upcoming events & deadlines

- **February 18** – Drug and device makers may [register](#) and begin reporting payments made to physicians under new sunshine rules.
- **February 28** – Deadline for eligible professionals to [demonstrate meaningful use](#) under the Medicare EHR incentive program.
- **March 3** – Start of [CMS testing week](#) for ICD-10, a new, more detailed set of diagnosis codes that CMS is requiring all providers and insurers to adopt.
- **March 7** – Deadline to submit letter of intent for latest round of [PCORI funding opportunities](#).
- **March 31** – [Extended deadline](#) for those in the Pre-Existing Condition Insurance Plan to gain coverage through exchanges.
- **March 31** – Open enrollment in health insurance exchanges scheduled to end for 2014.

Quote of the week

"By reducing the availability of cigarettes and other tobacco products and increasing access to tobacco cessation products, [you have] the power to further foster the health and wellness of customers and send a critical message to all Americans—and especially children—about the dangers of tobacco use," wrote eight senators in a [statement](#) released Monday, calling on national drug store chains to stop the sale of tobacco. The discussions come on the heels of CVS Caremark's [announcement](#) last week that it would stop carrying cigarettes and other tobacco products.

In the news

Companies that have between 50-99 employees now have until 2016 to buy insurance before facing a penalty, according to a [press release](#) by the Obama administration on Monday. This is a two year extension from the original ACA deadline, and the [second delay](#) in the past year. Companies with 100 or more employees are required to offer insurance to 70% of their employees by 2015, down from the originally required 95%. Businesses with fewer than 50 employees are exempt from the coverage requirement.

Factually correct

67.5% - The decrease in the number of new drug shortages between 2012-2013 according to a new report by the FDA's [Center for Drug Evaluation and Research](#). While new shortages are declining, existing and ongoing shortages continue to be a problem according to a separate report issued by the [GAO](#).

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