

HRI as we see it

Weekly insights from the Health Research Institute

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Week of 3/10/2014

This week's regulatory and legislative news:

- **CMS releases final rule on Basic Health Program**
- **MinuteClinic's move to Epic aimed at care coordination**
- **CMS shelves changes to Medicare drug program**
- **Telemedicine programs result in decreased hospital admissions**
- **At South by Southwest Interactive, wearables and digital health dominate**

CMS releases final rule on Basic Health Program

Last Friday, CMS released final rules on the [Basic Health Program](#), an optional state-run initiative offering transitional insurance to consumers earning between 138% and 200% of the Federal Poverty Level (\$16,105 to \$23,340 for an individual in 2014). The program aims to increase care continuity and affordability for individuals who cycle between Medicaid and health insurance purchased through the ACA's exchanges. Enrollees in the Basic Health Program will receive subsidies to lower out-of-pocket costs, and states can provide additional funds to lower costs even more. States and insurers are encouraged to work together to provide [coordination and cohesion](#) between the Basic Health Program and Medicaid to minimize the disruption for consumers.

HRI impact analysis: The Basic Health Program could be a hard sell in some states. The federal government will reimburse subsidy payments to states at 95% of what enrollees would have received had they purchased coverage through the exchanges. States are required to pick up all administrative costs. Many states also could be hesitant to create a new program, especially after experiencing challenges implementing the exchanges. For states that do pursue the Basic Health Program, such as [Minnesota](#), Medicaid managed care companies could play instrumental roles in plan design and coordination. Most states, however, are likely to wait until they see clear financial and social benefits.

MinuteClinic's move to Epic aimed at care coordination

CVS Caremark's decision to move MinuteClinics from a proprietary in-house electronic medical record (EMR) system to one made by Epic suggests that the company plans to continue its fast-paced growth and that it sees its future linked to primary and pediatric care. Dr. Andrew Sussman, president of MinuteClinic and chief medical officer of CVS Caremark, [said in a press statement](#) that he expects the chain to be operating around 1,500 clinics by 2017, a major jump from the 350 locations it has now. "We've reached a point in the evolution of our clinical practice where a more advanced EMR that facilitates more immediate information sharing with other healthcare providers is needed," [Sussman said](#). Epic is one of the most widely used EMRs in the US; an estimated 274,000 physicians will use the system once MinuteClinic completes its rollout in 2016.

HRI impact analysis: MinuteClinic's move to Epic could help allay fears among providers that the growing popularity of retail clinics will further fragment the healthcare system—especially if medical data is not shared with patients' primary care doctors. HRI research shows that the use of retail clinics is expected to grow, and the types of services offered will expand. Walmart, for instance, is already adding chronic disease management to its clinical services. HRI research found that consumer use of retail clinics for common medical procedures has nearly tripled over the last five years. In 2012, almost one in

four US consumers had visited a retail clinic, with many citing lower costs and overall convenience as key drivers behind the decision to visit, according to [HRI's most recent Behind the Numbers](#) report.

CMS shelves changes to Medicare drug program

CMS is rolling back [proposed changes to the Medicare Part D](#) program that came under withering criticism by Congress, drugmakers and consumer advocates. In a letter to Congress sent earlier this week, CMS Administrator Marilyn Tavenner wrote that the agency will seek additional stakeholder input before advancing any of the changes in the future. Two provisions from CMS' proposal were particularly controversial. Aiming to reduce enrollee confusion during enrollment, the agency proposed limiting the number of drug plans insurers may offer to two in each service area. The agency also proposed removing protections guaranteeing access to certain categories of drugs, including antidepressants and immunosuppressants.

HRI impact analysis: CMS' decision means that insurance companies may continue offering three different drug plans to beneficiaries, instead of the proposed two. Insurers will need to determine what matters most to customers as they select their plans. According to HRI's 2013 consumer survey, a majority (60%) of people over the age of 65 ranked price as the most important consideration when shopping for an insurance plan. That coincides with a separate HRI survey in which [treatment costs were ranked as the biggest frustration for consumers](#) when it comes to their pharmaceutical experiences.

Telemedicine programs result in decreased hospital admissions

Two recently published studies provide evidence of benefits from telemedicine. The first study, which replaced traditional physician consultations with two-way video conferencing at 11 nursing homes, found that facilities that actively used the service [reduced hospitalizations](#) by 11% over 1,000 resident days. Facilities deemed "less engaged" reduced hospitalization by 4% over the same period. Many of the telemedicine calls occurred after hours, when physicians typically send patients to emergency rooms. The second study analyzed the impact of [Teladoc](#), a service that allows consumers to make appointments with a network of virtual doctors. That study, which analyzed over 3,500 claims of California public employees who opted to use Teladoc over traditional doctors' appointments, found that the [majority of adopters](#) were younger and less likely to have used health services in the past.

HRI impact analysis: The study findings suggest that the use of telemedicine may expand coverage to consumers outside the mainstream healthcare system and reduce unnecessary visits for existing patients. While telemedicine may shrink costs, providers face mixed incentives. For example, hospitals, particularly emergency departments, would experience lower revenues should telehealth programs prove popular. And there is reason to think they will: HRI's 2012 [Customer Experience in Healthcare](#) found that there is a growing market for "on-demand" healthcare services, such as telemedicine.

At South by Southwest Interactive, wearables and digital health dominate

This week at the [South by Southwest \(SXSW\) Interactive Festival](#) in Austin, a wave of digital health start-ups hit the scene. From wearable device makers to creators of Google Glass apps, developers offered attendees a peek at healthcare's future. Among those featured was [Pristine](#), which is building products for Google Glass that will allow doctors to remotely diagnose patients, teach medical students, and conduct surgery. Also featured: wearables, such as [Cuff](#), jewelry that allows the wearer to send out location information to friends and family at the push of a button, and the [Athos fitness tracker](#), which monitors muscle effort.

HRI impact analysis: Digital health ventures are quickly becoming a topic of conversation for investors and companies looking to play in the healthcare space. Yet there is some [skepticism](#) that these new products will be able to transform short-term consumer engagement into lasting behavioral change. As the market becomes more saturated over the next few years, companies best able to address this challenge are most likely to succeed.

Upcoming events & deadlines

- **March 25** – Start of FDA's two-day [public hearing](#) to solicit ideas on improving or replacing the regulatory framework for OTC medication.

- **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.
- **May 31** – 2015 exchange premium rate filing deadline for health insurers.

Quote of the week

“The point is that a lot of young people, they think they're invincible,” said President Obama to comedian Zach Galifianakis, on Galifianakis’ spoof [show](#), Between Two Ferns. Obama appeared on the program to promote Healthcare.gov and encourage young Americans to sign up for health insurance. On Tuesday, the [White House](#) reported that the video’s website was the top source of referrals to Healthcare.gov.

In the news

The Obama administration gave an updated report that 4.2 million Americans have enrolled in health plans via new public exchanges since Oct. 1, 2013. This number does not include those who became newly insured through Medicaid or CHIP. The [Washington Post](#) reports that 943,000 Americans signed up for health plans in the month of February.

Factually correct

20% - The 2013 [hospital CEO turnover rate](#), according to the American College of Healthcare Executives (ACHE). This is the highest rate ACHE has reported, up from 17% in 2012. ACHE notes that the high turnover may be due to the “complexity and amount of change going on in healthcare today.”

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