

HRI as we see it

Weekly insights from the Health Research Institute

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Week of 3/17/2014

This week's regulatory and legislative news:

- **Proposed regulation updates health exchange and insurance market standards**
- **Federal government allows new extensions on health coverage**
- **CMS expands oversight of narrow networks, navigators**
- **Washington state bills seek quality, cost transparency**
- **Numerous tools emerge to assist the uninsured**

Proposed regulation updates health exchange and insurance market standards

In a [recent proposed regulation](#), HHS updated several programs, incorporating some changes that were previously shelved during the rocky exchange open enrollment period. Among the new provisions: determining when changes to an existing health plan's design require an insurer to file for a new product, and standards for qualified health plan quality reporting and decertification. The administration also provided clarification on how insurers can calculate medical loss ratios and rebates in states with merged individual and small group markets, and it proposed a change to the risk corridors program that bumps up the insurer profit limit from 3% to 5% "in recognition of the ongoing uncertainty and changes in the market in 2015." The [risk adjustment and reinsurance programs](#), which are designed to financially protect health plans in the new insurance market, will also see a 7.3% budget cut in FY2014, although back payments to insurers will be made the following year if already established budget reductions are lifted.

HRI impact analysis: The burst of regulatory activity signals that HHS is trying to tie up loose ends before the close of open enrollment on March 31. It may also reflect concern that major changes and technical challenges in the early years of insurance reforms could negatively impact the market's long-term health. As insurers crunch the numbers for their 2015 exchange bids, uncertainty will undoubtedly influence how they price their products. Implementation challenges and changing coverage deadlines are major concerns for insurers, who are already facing significant pressure to control costs and manage the health needs of a new population. See HRI's [newly updated website](#) for more on exchanges.

Federal government allows new extensions on health coverage

Last Friday HHS noted that individuals covered under the federal [Pre-Existing Condition Insurance Plan](#) would be allowed to keep their current coverage for another month, through April 2014. The revised date follows a previous two month extension in January, and reflects the administration's broader tactic of continuing expiring coverage for consumers who face difficulty enrolling in new exchange plans. On March 6, CMS announced that it would also allow individuals and some employers to [renew their non-ACA-compliant plans](#) through the 2016 plan year—plans that had already been extended from 2014. The [Wall Street Journal](#) and [National Journal](#) also reported that the federal government may designate a "special enrollment" period for consumers who are able to document problems signing up through the exchanges, although that extension hasn't been confirmed by officials.

HRI impact analysis: The trend of repeated coverage extensions, especially around non-ACA-compliant renewals, has health plans concerned about [potential market destabilization](#). It's assumed that young, healthy adults will comprise the majority of non-compliant plan renewals, which could disrupt insurer risk pools and result in higher premiums across the market. Only 27 states [chose to allow renewals of non-compliant plans](#) in 2014.

CMS expands oversight of narrow networks, navigators

Federal health officials next year will use a “reasonable access” standard to gauge whether insurers that sell health plans on the exchange include enough hospitals, physicians, and other providers in their network to treat the newly insured. [In a letter to insurers](#) CMS said it would monitor areas that have historically raised network adequacy concerns, including hospital systems, mental health providers, primary care doctors, and cancer-related services. The decision comes amid [growing frustration from providers](#) who say they were unfairly excluded from some exchange plans and from patients concerned about limited access to care. Meanwhile, CMS also [released a proposed rule](#) that would make it more difficult for states to restrict navigators and certified application counselors from aiding enrollment efforts under the ACA. [About 19 states](#) have passed—or plan to pass—tighter requirements for navigators.

HRI impact analysis: Health insurers said they adopted [narrow networks](#) as a way to keep premiums low, adding that they could better keep costs in check by excluding some high-priced providers. But the additional scrutiny by CMS next year hints that some insurers may need to expand the number of providers in order to sell coverage via the federal exchange. Separately, the proposal by CMS to protect certified navigators and other personnel trained to guide enrollment could give hospitals and health systems a freer hand when it comes to enrolling the uninsured. [Hospitals have pushed for a broader expansion of coverage](#), but some held back once states started to restrict the roles of navigators and certified application counselors. With stronger federal oversight, those efforts may again ramp up in 2015.

Washington state bills seek quality, cost transparency

The push for price transparency could get a major boost after lawmakers in [Washington State approved two pieces of legislation](#) earlier this month: one that requires insurers to provide customers cost and quality tools, and another that creates a public “all payers” database that posts how providers measure-up on quality metrics. Under the former, insurers would be required to offer their members a transparency tool—accessible via the web and on mobile devices—that displays information on cost, quality, and patient experiences for inpatient and outpatient services, as well as information on diagnostic tests and office visits. Each metric must include a section for comments from consumers. The latter bill creates a public database that shows how providers score on measures that gauge care coordination, management of chronic conditions, preventive services, and other key health outcomes. The state plans to use this newly developed information to make its healthcare purchasing decisions primarily for its Medicaid and public employee health programs by 2017. Washington Gov. Jay Inslee is expected to sign both bills.

HRI impact analysis: The new health economy—one in which the consumer has more responsibility and power—hinges on readily available data on cost and quality. So far, however, efforts to make both easily accessible by the general public have been slow. But with states such as Massachusetts and now Washington in the vanguard, the effort is expected to pick up the pace nationally. In 2013, Medicare lifted the veil on how much hospitals billed [for dozens of medical procedures](#). Employers too are increasingly demanding that providers and insurers offer clearer prices for healthcare services. And as consumers spend more of their own money, [the demand for high-value, low-cost care is expected to jump](#).

Numerous tools emerge to assist the uninsured

As the first open enrollment season comes to a close, consumers have new tools available to navigate the healthcare shopping experience. [New Mexico](#) has begun a text messaging campaign in which consumers receive prompts asking for information on household size and income in order to direct them to appropriate options. Many states are encouraging [tax preparers](#) to help filers find out if they qualify for subsidies, a service that companies such as H&R Block and Jackson Hewitt are offering for free. Various healthcare startups have also emerged to help consumers find affordable health insurance, such as [Stride Health](#) which offers a recommendation engine to find specific insurance plans.

HRI impact analysis: The emergence of new tools and strategies to reach consumers represents a shift from traditional business-to-business marketing to a more [direct-to-consumer](#) approach. Making health insurance more accessible is a fundamental direct-to-consumer strategy, especially among populations that are looking for user-friendly apps and websites. Offering a physical presence through in-person services will also ease the process for those who are [less health literate](#).

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** – Open enrollment in health insurance exchanges scheduled to end for 2014.
- **April 30** – [Extended deadline](#) for those in the Pre-Existing Condition Insurance Plan to gain coverage through exchanges.
- **May 31** – 2015 exchange premium rate filing deadline for health insurers.

Quote of the week

“The bill you have on the floor today is not the destination. It is the key that gets you through the door that gets you to the destination,” said Texas Rep. Michael Burgess, of a bill passed by the House last week which proposes [permanently repealing Medicare’s sustainable growth rate](#) with money saved by delaying the ACA’s individual mandate penalties.

In the news

In order to stay competitive, pharmaceutical companies are increasingly purchasing compounds in development externally, rather than developing them in-house. The [Wall Street Journal](#) reports that companies such as Merck, Bristol-Meyers Squibb, and Johnson & Johnson have hired scientists to scout and acquire their next big drugs.

Factually correct

20% - The percentage of newly insured who come from California. Covered California, the state’s exchange, [announced](#) on Monday that it had reached one million enrollees, one-fifth of the [five million nationwide](#) enrollees as of March 17, 2014.

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