Week of 6/9/2014

This week's regulatory and legislative news:

- **As problems surface, vets may seek care in non-VA facilities**
- **Survey: Telehealth's progress slowed by reimbursement constraints**
- **New study: Medicare payment cuts may limit home health service access**
- **FDA's 'track and trace' guidance outlines risky scenarios**
- **Drugmakers jockey for share of the global hepatitis C market**

As problems surface, vets may seek care in non-VA facilities

Some healthcare systems could see an influx of former service members after the Obama administration in May loosened restrictions on when and where military veterans may seek medical care. The policy change and subsequent resignation of US Secretary of Veterans Affairs Eric Shinseki predate an internal audit report, released last week by the US Department of Veterans Affairs, which found that more than 57,000 new patients waited 90 days or more for care. More than 63,000 newly enrolled veterans requested appointments that went unscheduled. On Wednesday, the Senate voted 93-3 to approve legislation granting veterans new flexibility regarding provider choices and allowing more leeway in rate negotiations between the VA and hospitals. Similar legislation in the House is expected to move quickly as well.

HRI impact analysis: For the most part, veterans tend to use the VA health system as their main provider of care. But some exceptions apply, such as when there are long wait times or when highly specialized care is needed. The VA may contract with outside providers for any type of care as long as it is for a service-related condition. In fiscal year 2014, the VA has spent about $3.4 billion for nearly 905,000 veterans who sought care outside of traditional VA health facilities. Under the VA's new Accelerating Care Initiative, the department is expected to reimburse non-VA providers at Medicare levels. But some health systems raised concerns over the policy, saying that Medicare rates do not fully cover the often-complex medical conditions—such as cancers or rehabilitative services—veterans commonly experience. Concerns over timeliness of payments also have arisen. Legislation passed in the Senate would allow the VA to negotiate rates at a higher level than Medicare under certain circumstances.

Survey: Telehealth's progress slowed by reimbursement constraints

Growth in medical consulting online, via telephone, or through video conference may be hindered due to administrative rules and confusion about payment and coding, found a new survey by the American Telemedicine Association, an advocacy group that promotes remote medical technologies. Twenty states require some level of payment for telehealth services. Another 13 are considering it. The online survey indicated there is little consistency in payment rates among private insurers, Medicare, and Medicaid. Almost half of the respondents said they provided telehealth services to Medicare and Medicaid beneficiaries that went unpaid.

HRI impact analysis: Despite hurdles, many clinicians see value in treating patients remotely, citing improved care coordination and lowered costs. The survey, however, found insurers and providers lacked sophistication in billing for these services. Some clinicians also said that administrative barriers, such as the use of modified codes and the need to pre-approve patients, are slowing telehealth adoption.

Because a majority of providers said they would bill for remote treatment if they could, education regarding new payment models and ways to navigate administrative hurdles is critical—especially as Americans become more and more comfortable with care that is delivered outside of traditional hospital and physician office settings.

New study: Medicare payment cuts may limit home health service access
Chronically ill patients could find it harder to obtain home health services as a result of ACA-mandated Medicare reimbursement cuts, according to a new study published in the journal *Health Affairs*. The study examined Medicare reimbursement margins across 26 not-for-profit home health agencies and nearly 100,000 episodes of care. The study's authors concluded that the ACA-mandated payment reductions (3.5% per year between 2014 and 2017) will have less impact on patients with acute conditions such as stroke or hip fracture than on patients with chronic and more complex illnesses such as diabetes and congestive heart failure. Payments for care are adjusted based on factors such as clinical diagnosis and number of therapy sessions. According to the authors, flat reimbursement reductions that don't take complex conditions into account could mean lower-income beneficiaries will forgo care or rely more heavily on informal caregivers.

HRI impact analysis: Relying almost entirely on Medicare for reimbursement, home health agencies with shrinking revenues may reduce services to the chronically ill, which could wind up costing taxpayers more in the long run as sick patients are hospitalized or rerouted to other institutions. At the same time, the payment reductions could also force some companies to deliver more efficient care and better value in the new health economy. Ironically, CMS is making it easier for Medicaid beneficiaries to receive home and community services. In January, the agency released a final rule outlining updates to the program, including more flexibility in determining which settings qualify for reimbursement.

FDA's 'track and trace' guidance outlines risky scenarios
The FDA last week released a number of sample scenarios meant to alert drugmakers to potentially counterfeit or contaminated pharmaceuticals. The guidance—the first to be released since track-and-trace legislation passed last year—gives companies clues that indicate that someone has tampered with medical and pharmaceutical products, such as damaged packaging, mismatched drug labeling, and descriptions containing misspelled or poorly-translated words. The guidance also details steps that must be taken to alert federal regulators when a product appears suspicious.

HRI impact analysis: Drug safety has been a top concern among healthcare consumers, especially as more vendors appear online. Congress drafted the track-and-trace program last year as a way to more closely follow the path drugs take across the US. More broadly, manufacturers will be required to begin tracking prescribed medications in "lots"—a group of drugs packaged together—starting in 2015. In 2017, each lot will be assigned a serial number before a medication can be dispensed to a patient, making specific drugs easier to track throughout the pharmaceutical supply chain.

Drugmakers jockey for share of the global hepatitis C market
The competition for a quicker hepatitis C treatment with milder side effects gained steam last week, with Merck & Co. agreeing to buy Idenix Pharmaceuticals for about $3.8 billion. Idenix has three therapeutics in its pipeline to control hepatitis C. In April, Merck announced promising results of a Phase 2 trial for its once-daily combination of two drugs aimed at treating hepatitis C. The World Health Organization (WHO) estimates that 150 million people globally have chronic hepatitis C conditions. Between 350,000 and 500,000 people die from hepatitis C-related liver diseases annually, according to the WHO.

HRI impact analysis: The deal helps Merck better compete against Gilead Science's Sovaldi, a drug approved last year that costs about $86,000 for a three-month course of treatment. Solvadi's price tag has caused concern among insurers and in particular Medicaid managed care companies because they are likely to cover individuals at a higher risk for hepatitis. Earlier this month, the National Pharmaceutical Council released a report warning that health plans with high cost-sharing could render the drugs unaffordable for patients who need the treatment most.

Upcoming events & deadlines

- **June 16** – Deadline to submit policy and legislative ideas to the US House Energy and Commerce Subcommittee on Health on government support of technology adoption in healthcare programs
- **June 27** – 2015 federal exchange premium rate filing deadline for health insurers
- **August 15** – PCORI matchmaking app challenge application deadline

Quote of the week

"We believe Apple's HealthKit will revolutionize how the health industry interacts with people," said Mayo Clinic CEO Dr. John H. Noseworthy in a statement read during the Apple Worldwide Developers Conference earlier this month. Tools like HealthKit collect data from the ever-growing health and fitness app and wearable device market to help organizations more easily store and share health and medical information.

In the news

Hospitals across the US are experiencing an unusual surge in emergency room visits since Medicaid expansion went into effect on Jan. 1, according to *USA Today*. The American College of Emergency Physicians expects the volume of Medicaid ER patients to increase in states that expanded Medicaid.

Factually correct

10 Million – The number of Hispanics eligible to gain health insurance coverage under the ACA through state health insurance exchanges or Medicaid expansion. According to a new HRI report, the Hispanic market presents enormous opportunity for businesses aiming to succeed in the emerging New Health Economy.

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