HRI as we see it

Weekly insights from the Health Research Institute pwc.com/hri

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This week's regulatory and legislative news

- **Hospitals gain enrollment flexibility under 'navigator' rule**
- **Walgreens and Blue Cross Blue Shield Association team up to promote exchanges**
- **Government clamps down on IT security, HIPAA violations**
- **Mixed review on moving to e-labels for prescription drugs**
- **Lines between hospitals and insurers blur**

Hospitals gain enrollment flexibility under 'navigator' rule

Health systems will be allowed to guide their uninsured or under-insured patients through the exchange enrollment process, under a final rule released last week by CMS. One of the major changes in the rule gives states flexibility on certified application counselors, who will help consumers fill out applications for insurance coverage via the new exchanges but are not paid by the government. The rule permits states to certify application counselors themselves or designate organizations such as hospitals, community centers, and social service agencies to certify their own staff and volunteers. Organizations will be required to disclose to exchange operators and consumers any financial relationship they have with an insurer. Overall, much of the rule was finalized as proposed, including a 30-hour training requirement for navigators and "assisters" in partnership or federally-facilitated exchanges.

HRI impact analysis: Hospitals, community centers, and social service agencies should benefit significantly from the revised rule. Many states are likely to give those organizations leeway to certify their own application counselors, which will help them enroll individuals at the point of service. There could be challenges, however, if application counselors—who are not required to meet the same strict licensure requirements as navigators and in-person assisters—are not well-equipped to aid individuals in plan selection. Consumers could end up selecting plans without fully understanding key components such as cost-sharing and network design, which could cause later problems for hospital business offices when the newly insured begin to access care.

Walgreens and Blue Cross Blue Shield Association team up to promote exchanges

Drugstore giant Walgreens and the Blue Cross Blue Shield Association, which represents 38 member insurance companies, launched an educational campaign this week to raise awareness about the new insurance marketplaces. The campaign is reportedly the largest effort to date to promote new insurance coverage, and will rely on various media channels—including in-store advertisements, brochures, and a new website—to spread the word. The effort will use state-specific information from insurance plans to develop targeted outreach materials for the nearly 6 million customers who frequent Walgreens stores every day. Many are likely to be eligible for premium subsidies.

HRI impact analysis: The Walgreens/Blue Shield collaboration is likely to be a mutually beneficial partnership. While the retail chain may not directly benefit from exchange education, it does stand to benefit from more insured people in the form of pharmacy and retail clinic sales. Similarly, while the educational materials will not directly market Blue Cross Blue Shield plans, they may enhance the plans' reputation and brand, which could translate to higher plan sales when the exchanges open in October.

Government clamps down on IT security, HIPAA violations

A major health benefits group agreed to pay HHS $1.7 million to settle potential HIPAA violations that occurred over a six-month period that started in October 2009. Federal health officials said the security gap occurred as the company updated its online applications database. Lax privacy protocols during the process may have exposed protected health information—as well as names, dates of birth, and social security numbers—of more

than 612,000 individuals. The settlement comes at a time when hospitals and physicians are using electronic health tools in record numbers. Separately, CMS said it will require stricter security controls from its contractors who store protected information online, on hard drives, and in the "cloud." CMS in April updated its security policy to require government contractors who use cloud computing to adhere to new Federal Risk and Authorization Management Program (FedRAMP) protocols. The directive comes as the federal government plans to move more and more of its data to the cloud, and it puts contractors on notice that they will be required to continuously monitor their security and privacy policies and adhere to strict federal standards.

HRI impact analysis: According to HIPAA privacy regulations, organizations that control and move health data need to implement policies and procedures around who can and cannot access electronic information. In the above case, HHS determined that the company had not performed an appropriate technical evaluation in response to a software upgrade, which contributed to a potential breach. The new risk management program requires cloud service providers to conduct self-assessments and readiness scenarios. Current providers must demonstrate compliance by June 2014—and pass an audit. We encourage providers to perform readiness activities in advance of their audit.

Mixed review on moving to e-labels for prescription drugs

As other industries increasingly rely on digital communications, a new Government Accountability Office (GAO) report demonstrates the continued challenges healthcare companies face in keeping pace with technological advancements. The GAO found that there is no consensus among stakeholders about the advantages or disadvantages of moving to electronic labels for prescription drugs. There are three types of labels that typically accompany a drug: the prescribing information intended for healthcare providers, medication guides that inform patients about drugs the FDA has said pose a serious and significant public health concern, and patient package inserts required for oral contraceptives and estrogens.

HRI impact analysis: Drugmakers say e-labels can enhance patient safety because they can be easily updated when new safety information emerges. Tech-savvy consumers might appreciate the convenience of having drug information at their fingertips. E-labels may also help doctors tailor treatment for patients expecting more customized care in the new health economy. As the report notes, an e-label could help pharmacists provide patients with information from the most useful sections of the prescribing information, such as possible side effects, and not the less useful sections, such as chemical composition of the drug. But pharmacists are concerned that such a system would shift costs to them if they have to invest in new computers to download an electronic label and print it when a prescription is filled.

Lines between hospitals and insurers blur

An increasing number of providers are looking to cut out the middleman—health insurers—and some are doing so by getting into the health insurance business themselves or contracting directly with businesses to provide health services. A recent study cited by the Washington Post reports that 18% of hospitals already have their own insurance company, and another 28% expect to launch one within the next five years. The latter trend of hospitals contracting directly with employers for more costly, complicated treatments was recently highlighted in HRI's Behind the Numbers report on 2014 spending growth rates.

HRI impact analysis: Hospitals with a health insurance license believe they are better positioned to more quickly reduce care costs and pass savings on to employers and individuals. These hospital-owned health plans exemplify today's shifting healthcare landscape—the lines between traditional players are blurring, and integrated health systems may be better positioned to manage care and promote health. Furthermore, there is room for new, non-traditional entrants into the healthcare space. Not only are hospitals entering into a new sphere, but this movement has also spawned the creation of new businesses aimed specifically at helping providers make this transition, teaching them how to build a health insurance plan and providing the tools to do so.

Upcoming events & deadlines

- **July 30** – Comments due to the FDA on new models of antibacterial drug development.
- **July 31** – CMS receives state recommendations and final plan data for state partnership exchanges.
- **September 6** – Comments due on the proposed rule on 2014 payment policies for the Medicare physician fee schedule.
- **September 6 –** Comments due on the proposed rule on the outpatient prospective and ambulatory surgical center payment systems.

Quote of the week

"It's just been a litany of issues—slow payment, network adequacy, denials, pre-admission problems. States usually phase this in. Here, it was the whole enchilada. It was almost a change overnight," said Michael Rust, president of the Kentucky Hospital Association, about Kentucky's rapid transition from traditional Medicaid to Medicaid managed care and the bumps it has encountered.

In the news

An article by Politico discusses the "skinny plans" some businesses—especially retailers, restaurant chains, and the hospitality industry—are expecting to offer employees in order to circumvent the ACA's largest penalties for employers and limit the costs of providing coverage.

Factually correct

0.3% – the 2012 percentage growth in costs for the approximately 669,000 beneficiaries in CMS' Pioneer accountable care organizations, as compared to a 0.8% increase nationally for other similar beneficiaries.

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