



Week of 8/19/2013

This week's regulatory and legislative news

- Hospitals say CMS rule exposes them to bad debt
- Providers make up only a small percentage of “navigator” sites
- FDA issues guidance for device makers going wireless
- Employer-sponsored premiums see modest growth for second straight year
- States gradually button up health exchange details
- New report on pharmaceutical and life sciences deals
- **HRI as we see it will not publish the week of 08/26/13**

Hospitals say CMS rule exposes them to bad debt

The nation's major hospital groups say a [federal rule that establishes a 90-day grace period](#) for people who cannot pay their insurance premiums will expose health systems to financial responsibility of unpaid care. The American Hospital Association, the Federation of American Hospitals and others, [in a letter sent to CMS last week](#), asked the agency to change the ACA regulation regarding termination of coverage. The ACA requires health plans to allow a 3-month grace period when individuals fail to pay premiums before they can discontinue insurance coverage. But the final rule permits health plans to terminate coverage after 30 days for those who receive advance premium credits, meaning they would only have to pay claims for services in the first month and could suspend claims in the second and third months.

HRI impact analysis: The hospital groups say the rule “unfairly burdens” providers because they will not get paid by the health plan and, ultimately, would have to chase low-income patients for payment. The AHA estimates that hospitals lose about \$40 billion each year on unpaid care, and [new rules under the ACA cut the amount of money Medicare and Medicaid pay](#) to make up for some of that lost revenue. Hospitals will need more balanced sources of revenue in the future to compensate for some of the lost government funding, which makes it even more crucial to capture a larger share of the newly insured. It's unclear how many people will qualify for the advance premium tax credit. Of the seven million people the Congressional Budget Office estimates will buy coverage in an exchange next year, six million of them are expected to qualify for subsidies.

Providers make up only a small percentage of “navigator” sites

Eight hospitals and health systems [were named “navigators”](#) last week by HHS, earning a combined \$2.9 million in federal grants to help people understand new insurance options under the ACA. The designation allows navigators to identify, educate and ultimately enroll uninsured or under-insured individuals in Medicaid and new health plans sold through online marketplaces known as exchanges. The announcement comes less than two months before the open enrollment period for exchanges begins in October. All told, HHS certified more than 100 organizations—including hospitals, universities, and community development organizations—as navigators, and pledged more than \$67 million in funding.

HRI impact analysis: Hospitals represent only about 8% of the first wave of navigators even though many will be on the front lines of an effort to enroll patients newly eligible for coverage. Most said they would forgo the more formal navigator designation in favor of a less restrictive role, known as certified application counselors. [Navigators](#) must undergo at least 30 hours of training, and some health systems said they would use the money to hire new workers. Genesis Health System, for instance, plans to add three employees—two full time social workers and one call center operator available to the newly eligible—a spokesman told HRI.

FDA issues guidance for device makers going wireless

The FDA recently unveiled its plans for regulating the growing field of wireless medical devices, more than six years after an initial plan was circulated. The [final guidance document](#) details FDA's current thinking about

medical devices that incorporate radio frequency wireless technology but has no real legal binding. The list of recommendations urges device makers to consider how their products perform in a crowded wireless environment that can result in conflicting signals. Securing wireless technology to prevent unauthorized access to patient data or provider networks is another key consideration suggested by the agency. In June, FDA published a separate guidance to improve cyber security for devices that rely on computer systems, as [previously reported](#) by HRI.

HRI impact analysis: Device companies were worried that FDA's initial plan didn't provide them with enough detail on the information the agency would like to see included in applications for wireless devices. The final guidance assuaged those concerns by making clear recommendations on testing, labeling, and other items that should be included for a device to be reviewed. Radio frequency technology is gaining broader commercial appeal throughout the health industries. Expect [new players](#) to emerge from other sectors, such as defense, which can use the technology to improve tracking and data analytics. Wireless technology is already being utilized to help secure the nation's drug supply and make [distribution channels more efficient](#).

Employer-sponsored premiums see modest growth for second straight year

Premiums for employer-sponsored health coverage increased 4% over the past year for family coverage and 5% for individuals, according to data released this week by the [Kaiser Family Foundation and the Health Research and Educational Trust](#). This continues the moderate growth rate observed last year, and stands in stark contrast to historical trends that saw premiums increase 80% over the past decade—growing nearly three times as fast as wages and inflation. Despite moderate growth, the survey found that almost 80% of covered workers now have to pay an annual deductible.

HRI impact analysis: Beyond slower premium growth, the survey results indicate that more employers are shifting some of the costs for care to their employees. The growing presence of deductibles and copays means workers must shoulder a greater share of healthcare costs. [HRI analysis](#) has found that as consumers pay more for their care, they often make more cost-conscious choices, in turn driving down the overall rate of spending growth.

States gradually button up health exchange details

Every week, states are buttoning up more and more details in an effort to make health insurance exchanges a reality by October 1. On Monday, Montana [released final prices for its exchange plans](#), following in the footsteps of [Colorado](#), [Vermont](#), and [Maryland](#), which have also finalized those numbers in recent weeks. Both Vermont and Maryland saw some prices come in lower than those originally proposed. [Florida](#) and [Maine](#) have released proposed plan costs that reflect a wide range of premiums and cost-sharing options and do not stray too dramatically from existing rates. States such as Arkansas, Illinois, [North Carolina](#), and New Hampshire have approved rates but have indicated they will not release information until October 1. Others—including [Wisconsin](#), [Hawaii](#), and [Idaho](#)—are just approving insurers that will be eligible to provide coverage on the exchanges. Two state-based exchanges—Idaho and New Mexico—also have indicated that they will be using components of the federal exchange technology architecture.

New report on pharmaceutical and life sciences deals

PwC released a new report on [deals within the pharmaceutical and life sciences industry](#) for the second quarter of 2013. Total deal volume fell approximately 40% during the second quarter of 2013 relative to the first quarter of 2013 and the second quarter of 2012.

HRI as we see it will not publish the week of 08/26/13

HRI will not publish a regulatory newsletter for the week of 08/26/13. Publication will resume on Friday, September 6.

Upcoming events & deadlines

- **September 4** – CMS will notify issuers in partnership and federally facilitated exchanges of final qualified health plan certification decisions.
- **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.
- **September 17** – PwC [webcast](#) on serialization and ePedigree regulations in the pharmaceutical and biotech industries.

- **October 1** – State health insurance exchange open enrollment begins.

Quote of the week

“We already had the experience of banks that are too big to fail, so I’m looking at this and looking at hospitals that are getting bigger and bigger and bigger. Are these services for patients getting better and better?” [said Rep. Jim McDermott](#), who recently [asked the Government Accountability Office](#) to conduct a study on the trend of hospital consolidation and how it impacts the cost to patients.

In the news

A recent opinion column in the *New York Times* examines hospitals’ price secrecy—especially in preferred provider organizations—and how [improved transparency can result in tremendous savings](#) for employers and insurers.

Factually correct

\$30,000 – the amount of money HHS is offering in prizes in the [Healthy Young America video contest](#), a joint effort between the government and the advocacy group Young Invincibles aimed at informing young people about new healthcare options under the ACA.

Contacts

Benjamin Isgur

Director

benjamin.isgur@us.pwc.com

(214) 754-5091

Bobby Clark

Senior Manager - Pharma/Life Sciences

robert.j.clark@us.pwc.com

(202) 312-7947

Matthew DoBias

Senior Manager - Provider

matthew.r.dobias@us.pwc.com

(202) 312-7946

Caitlin Sweany

Senior Manager - Payer

caitlin.sweany@us.pwc.com

(202) 346-5241

[HRI Online](#)