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

- **NIH boosts commercialization efforts**
- **Payment variations the norm among primary care doctors**
- **Hospital suit over insurance exchange plan exclusion could set early precedent**
- **Exchange stakeholders get creative in face of start-up obstacles**
- **Many individuals may be responsible for repaying income subsidies, study finds**
- **HRI on Innovation: Medtech due for a makeover**

NIH boosts commercialization efforts

NIH announced grants totaling $31.5 million to three different medical research consortiums in late September. The grants are designed to develop and commercialize diagnosis and treatment technologies for heart and lung diseases, a leading cause of death in the US. For their part, the research consortiums in Massachusetts, Ohio, and California will bring together academic, government, non-profit, and private sector companies to accelerate development of the therapies. The new grants follow $12.7 million in research awards from NIH'S National Center for Advancing Translational Sciences to find new uses for industry-created compounds.

HRI impact analysis: Crossing the "valley of death" between discovery and patient use is a challenge in biomedical research because many device prototypes and drug compounds are abandoned. By funding the establishment of three geographically distinct clusters of biomedical research, NIH is tapping into diverse research and entrepreneurship communities to increase the likelihood of successful commercialization efforts. The success of these investments will depend on each institution's ability to coordinate a network of inventors, investors, and entrepreneurs. According to HRI research, 62% of Academic Medical Center (AMC) leaders believe that coordinating translational research is a high priority, and 31% of biopharma and device companies already have partnerships established with AMCs.

Payment variations the norm among primary care doctors

New research published in the journal *Health Affairs* shows payments for physician services vary widely across practices, with some doctors being paid more than twice what physicians at the low-end receive. Researchers found that the prices paid by private insurers did not correlate to the patient's age or sex, physician specialty, place of service, or whether the physician belonged to a network. Geographic location did account for about one-third of the variation, while the rest of the impact stems from differences in quality, market power, and search costs, the study shows. The data tracked claims data from 2007.

HRI impact analysis: Health plan design that makes consumers more price-conscience could help decrease doctor payment variation, the researchers suggest. The health industry is making pricing data more readily available, yet consumers still struggle to find and understand much of the information. Even so, efforts to make medical pricing more transparent are gaining momentum, nudged along by employers and the government. A growing number of health plans now offer services that help consumers understand their out-of-pocket costs. In the new value-based health economy, providers that compete on price could gain a competitive advantage over other networks.

Hospital suit over insurance exchange plan exclusion could set early precedent

A major pediatric hospital in Seattle has filed suit against Washington's Office of the Insurance Commissioner over allegations that it did not ensure adequate network coverage in multiple health plans now being sold through the state's health insurance exchange. The suit, filed by Seattle Children's Hospital last week, contends that Washington's Health Benefit Exchange failed to ensure access to "essential community providers" after four out of six insurers excluded the health system from their plans. Thomas Hansen, chief

executive officer of Seattle Children's, said the exclusion could result in limited access and higher out-of-pocket expenses for families that rely on care from the hospital. "[W]e are very concerned about the limited networks being offered by some exchange insurance plans," he said in a press statement. "Omitting coverage for care at a facility like Children's prevents families from accessing vital services they may desperately need."

HRI impact analysis: Seattle Children's case likely won't be the last of its kind. Several major health systems—including large AMCs—expressed strong concerns about being excluded from insurance plans sold on the new exchanges. Many insurers purposely sidestepped the more costly AMCs as a way to keep premium costs lower for a diverse array of new consumers. Academic medical centers in Indiana, Kentucky, California, and elsewhere have faced similar exclusions, but Seattle Children's suit appears to be the first filed against a state insurance agency.

Exchange stakeholders get creative in face of start-up obstacles

The ACA's new insurance exchanges opened last week to major technical woes. While some state-based exchange sites, such as California and Kentucky, are reporting few glitches, healthcare.gov—the federal exchange site—faces significant design and software problems. In addition to technical problems, states such as Texas, with strong political opposition to the law, are facing another issue—a public that knows little or nothing about the ACA and how to gain coverage.

HRI impact analysis: Health law stakeholders are taking steps to push past initial implementation and sign-up challenges. State exchanges are adding capacity to websites and trying to simplify the process. Some navigators are encouraging individuals to apply for coverage using paper applications, and they are using their own specialized access to the federal exchange site to help customers compare plans. Proponents of the healthcare law in states such as Texas are ramping up efforts to find and enroll individuals. In some cases, local governments are using new techniques such as printing exchange information on water bills to spread the word.

Many individuals may be responsible for repaying income subsidies, study finds

Individuals could be liable for large exchange subsidy repayments at the end of the year if they do not quickly and accurately report changes in income, a new study in the journal *Health Affairs* reports. Researchers analyzed predicted payments and refunds for individuals expected to receive subsidies through California's exchange and found that if individuals reported income changes in a timely manner, the number of people owing money could be reduced by 7% to 41%. The median size of repayments could be reduced by as much as 61%. The large amount of potential savings to consumers for accurate and timely reporting signifies the importance of outreach and education efforts. It also underscores an important opportunity for tax service providers, some of whom are already creating their own review products to help individuals understand the tax implications of health insurance exchanges. For more on how tax preparers are getting involved with the public exchanges, read HRI's report, *Open for business: Insurers prepare for new consumer market*.

HRI on Innovation: Medtech due for a makeover

Just 17% of global medtech executives see their company as innovation pioneers, according to the new HRI innovation scorecard. Meanwhile, at least 18 new entrants are entering the medtech space from other industries. As the new health economy evolves, incremental innovation may give way to companies that learn quickly from fast, frequent, and frugal failure. To learn more about how medtech companies are changing their innovation models, read HRI's new report, *Medtech companies prepare for an innovation makeover.*

Upcoming events & deadlines

- **October 17 –** Webinar on health information technology's role in the health insurance exchange marketplace
- **October 17 –** The federal government "debt ceiling" will be reached, in which all measures that have allowed the government to continue borrowing money will be exhausted.
- **October 30 –** Webinar on impact of health insurance exchanges with the Medicaid Health Plans of America (MHPA)
- **November 18** – Comments due on proposed rule for new prospective payment system for Federally Qualified Health Centers.
- **November 19** – Comments due on proposed rule for Medicare's web portal to allow other people besides the beneficiary to view final bills and service coverage online.

- **November 25 –** Comments due on the proposed rule on the Basic Health Program. The program provides states the option to establish a health benefits coverage program for low-income individuals who would otherwise be eligible to purchase coverage through health insurance exchanges.
- **December 15 –** Deadline for individuals to enroll in state exchange plans in order to secure coverage beginning on January 1.

Quote of the week

"We are not getting any more patients from the Affordable Care Act, and we should not be pulled into this," said Dr. Douglas Aspros, a past president of the American Veterinary Medical Association, in response to the effects of the 2.3% medical device excise tax that has added costs to equipment that veterinarians use to treat animals.

In the news

A recent article from *The Washington Post* outlines how certain patients, sometimes called "super-utilizers," make up a relatively small share of our population, but use a disproportionate share of resources in the health system.

Factually correct

14% - the percentage of medical technology executives that expect more breakthrough and radical innovations in services and business models

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

Christopher Khoury
Senior Manager
christopher.m.khoury@us.pwc.com
(202) 312-7954

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