

HRI as we see it

Weekly insights from the Health Research Institute

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Week of 11/11/2013

This week's regulatory and legislative news

- **White House offers enrollment fix as consumer questions mount**
- **Low enrollment as exchange website gets overhauled**
- **Hospitals mobilize around exchange outreach and enrollment efforts**
- **Department of Labor releases final mental health parity rules**
- **Generic drug makers expected to get new labeling rules from the FDA**
- **Next-generation consumers are no longer passive players in medication decisions**

White House offers enrollment fix as consumer questions mount

Individuals scheduled to lose their health coverage this year will now be allowed to keep it into 2014 under a proposal offered Thursday by President Obama. Under the proposal, insurers can continue to offer plans in 2014 that do not meet the minimum standards set out in the ACA. State insurance commissioners, however, must first approve the plans — and insurers will be required to disclose to consumers how the plans fall short of the ACA requirements. Health plans must also disclose that other options with fuller benefits and financial assistance exist. The reversal by the White House could fuel even more confusion from consumers who have inundated insurers with a raft of questions over exchange enrollment, while providing temporary relief for consumers wanting to keep their current plan. Insurers in Michigan and North Carolina, for instance, have seen a sharp increase in call center volumes from customers seeking information and answers to questions about the ACA. Some insurers are also bracing for a wave of calls after January 1, when members start accessing their benefits, and are training call center staff on topics such as narrow provider networks that have attracted significant media attention.

HRI impact analysis: Health plans are concerned that allowing individuals to keep their current coverage could create an imbalance in the exchange insurance pool. If individuals opt to keep their current, skimpier plans, then insurers could see a generally sicker consumer population enroll through exchanges, and other new insurance plans in the non-exchange market, which in turn would fail to balance out among healthier individuals. The move will almost certainly create more confusion among consumers, and insurers should brace for sustained increases in call center volume. Because exchange plans — especially those with significantly limited provider networks — tend to be more complex in their out-of-pocket payment criteria even while offering more complete coverage, insurers may see a greater burden on their more highly-trained call center staff. Companies should have a strategy in place for dealing with increased volume and call complexity, and consider investing in comprehensive training for call center staff. For more insight on how healthcare companies can improve the customer experience, read HRI's report, Customer experience in healthcare: [The moment of truth](#).

Low enrollment as exchange website gets overhauled

Plan selection in the ACA's new insurance exchanges is far off from initial federal targets. About 106,185 individuals have selected an exchange health plan, according to data released by HHS earlier this week. That number represents 1.5% of the goal for 2014 open enrollment, which ends March 31, 2014. HHS Secretary Kathleen Sebelius declined to say how many of those enrollees have actually paid for their coverage. She also declined to release demographic data, such as age, financial status, and race. The breakdown: 79,391 (74.8%) enrolled through a state-based exchange, while 26,794 (25.2%) enrolled through the troubled federally facilitated exchange. About 396,261 Americans have been assessed or determined eligible for Medicaid or CHIP, which serve low-income people.

HRI impact analysis: Sebelius' confidence in the new marketplaces may do little to soothe insurers who sell exchange plans. Still unknown is how many people have received cancellation notices. While the low enrollment numbers are a concern, insurers say they are equally worried that those newly insured are sicker or

potentially older Americans — a demographic that could ultimately raise premiums in future years. Hospitals, too, could take a hit if enrollment doesn't tick upward. If fewer people gain coverage, then hospitals will continue to be exposed to uncompensated care at a time when federal payments to defray some of those losses are being greatly reduced.

Hospitals mobilize around exchange outreach and enrollment efforts

The nation's top for-profit hospitals said they remain optimistic over the ACA's coverage expansion despite a spate of well-publicized problems slowing online enrollment via the new exchanges. In their quarterly financial calls, top executives from [LifePoint Hospitals](#), [Tenet Healthcare](#), [HCA](#) and [Community Health Systems](#) described various outreach and enrollment efforts that include targeted mailings, print and online advertisements and the use of new call centers as a way to raise awareness among those who may qualify for subsidized health coverage. The three systems combined have tapped more than 1,100 employees to serve as [certification application counselors](#) to help enroll the newly eligible. Community Health System executives say they have enrolled [at least one person in 11 different states](#).

HRI impact analysis: The push by hospitals to seek out and educate the uninsured or underinsured [is similar to the Massachusetts universal coverage experience](#) in which many systems struggled with adopting new strategies around enrollment. Some health systems are raising awareness through targeted mailings to their self-pay patient base, using online ads, and reaching the community through speaking events and mobile vans. Still, most systems say they will hold off on a full-court press of activities until later this month, when website fixes are supposed to be completed.

Department of Labor releases final mental health parity rules

The Department of Labor released [final rules](#) last Friday that require insurers to cover mental health and substance abuse services in essentially the same way they cover standard medical services. Prior to the ACA, only large group health plans were affected, but the 2010 law extends those requirements to the small group and individual markets. The rule adds additional protections, such as preventive service coverage and elimination of lifetime and annual dollar limits for mental health and substance abuse treatment. The final rules also includes an extension of parity rules to residential treatment and outpatient facilities, clarification in health plan required transparency, and the elimination of a parity exception that insurance companies used to employ based on "clinically appropriate standards of care" — which some advocates argued was confusing and open to potential abuse.

HRI impact analysis: While the final rule leaves much of the 2010 interim rule intact, changes such as the elimination of clinical exceptions to parity requirements may have a financial impact on health plans that will no longer have an exception to providing these services. The new provisions will take effect on July 1, 2014, meaning that health plans will have several months to digest the changes before 2015 rates are due in April. For providers, the final rule could be a bright spot: many emergency room "frequent flyers" are those with mental health and substance abuse problems, so stricter plan regulations could ultimately translate into more reimbursement dollars.

Generic drug makers expected to get new labeling rules from the FDA

Generic drug makers will have the ability to update medication labels faster when new safety information is available under [a proposed FDA rule](#). The new rule would create parity between branded drugs and generics by allowing all drug makers to update labels on a temporary basis while seeking final labeling approval from the FDA.

HRI impact analysis: The proposed rule recognizes the dominant place generic prescription drugs hold in the US, where they account for about 85% of prescription volume. The draft rule follows an earlier [5-4 decision by the US Supreme Court](#) that protects the makers of generics from being [sued by consumers for defective products](#). Consumers who desire more [meaningful and timelier information](#) about their medications will benefit from labeling rules that encourage real-time updates.

Next-generation consumers are no longer passive players in medication decisions

As patients exert greater control over their healthcare, drug makers need to master the complexities of consumer behavior. Consumers are willing to offer feedback that reveals who they are, how they behave, and how existing biases impact their behavior — and drug makers that tap into this feedback will reach a new level of success. Read how life sciences companies are getting closer to their patients in HRI's new report [Customer experience in the pharmaceutical sector](#).

Upcoming events & deadlines

- **November 18** – Comments [due](#) on proposed rule for new prospective payment system for Federally Qualified Health Centers
- **November 21** – Centers for Medicare & Medicaid Services (CMS) Special Open Door [online forum](#) on the ACA Quality Reporting Program for Long-Term Care Hospitals
- **November 25** – Comments [due](#) on the proposed Basic Health Program rule. The program gives states the option to establish health coverage for low-income individuals who would otherwise be eligible to purchase coverage through health insurance exchanges.
- **December 10** – [Public workshop](#), sponsored by the Federal Trade Commission, that will examine the impact of recent regulations and legislation on competition in the biologic drug market.

Quote of the week

“We are committed to providing more people across the country with the quality patient-centered care they deserve,” said Secretary of Health and Human Services Kathleen Sebelius. “With new, affordable health insurance options available under the Affordable Care Act, community health centers are also key partners in helping uninsured residents sign up for health coverage — many of whom have been locked out of the health insurance market for years.” \$150 million in awards was recently released under the ACA to [support 236 new community health centers across the country](#).

In the news

A recent *The New York Times* article says the chief digital architect for the federal health insurance exchange (Healthcare.gov) was not aware of tests that were previously conducted showing [potential security flaws](#) in the system. Henry Chao made this statement to investigators for the House Committee on Oversight and Government Reform.

Factually correct

14% - the total percentage by which [demand for primary care](#) or family doctors will grow by to year 2025.

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