

HRI as we see it

Weekly insights from the Health Research Institute

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Week of 12/9/2013

This week's regulatory and legislative news

- **CMS extends deadline for meaningful use Stage 2**
- **Exchange leadership changes come at critical time for industry**
- **Genetic testing comes under FDA scrutiny**
- **Federal court ruling could pose new challenges for Medicare Advantage plans**
- **Readmissions rates decline as hospitals improve care coordination**
- **New survey reveals many employers considering private exchanges**
- **New report from HRI: Top health industry issues of 2014**

CMS extends deadline for meaningful use Stage 2

The federal government hopes to learn more about the progress and impact of electronic health record implementation by extending the meaningful use program. Last week, CMS announced plans to postpone the Stage 2 completion deadline one year to 2016. The agency will also push the start of Stage 3—for which draft rules are expected next fall—to 2017. The 2014 start date for Stage 2—which calls for data sharing, patient engagement, and enhanced communication among information systems—remains unchanged. CMS believes the extended implementation timeline will give the government more time to analyze feedback and prepare Stage 3 rules focused on outcomes. In addition, the Office of the National Coordinator for Health IT (ONC) announced an update to its technology certification process for providers and vendors. ONC intends to update its certification criteria more frequently and regularly align with the latest industry standards for health data interchange.

HRI impact analysis: The start date for Stage 2 has not changed, much to the dismay of many in the industry who have called for a delay of the first year of the program. It's full steam ahead for providers looking to earn incentive dollars. Hospitals and vendors should continue to monitor updates to ONC's technology certification process. Many electronic health records that met Stage 1 certification will need to be upgraded for Stage 2.

Exchange leadership changes come at critical time for industry

Last Friday, Maryland became the latest state to announce the departure of the executive director of its state healthcare exchange amid ongoing technical problems with its exchange website and reports of infighting among contractors. Maryland's state-based exchange joins others—including those in Hawaii and Oregon—that have had recent changes in executive leadership. The District of Columbia also terminated its insurance commissioner after a high-profile disagreement over health plan extensions.

HRI impact analysis: These leadership changes come at a particularly challenging time for the industry, and they raise questions of whether mid-stream adjustments will have much impact on the troubled first-year rollout of the healthcare exchanges. Oregon's exchange still has yet to enroll a single individual through its online portal. The Obama administration reported recently that nearly a quarter of the enrollment files processed through the federal exchange website could contain errors, and insurers are now scrambling to manually update faulty or missing data. Many consumers who have picked a plan have yet to pay their first month's premium, which is required for coverage to begin. The industry could be in for a wave of complaints and questions headed into the New Year as consumers try to confirm enrollment and access benefits.

Genetic testing comes under FDA scrutiny

In response to a recent FDA warning letter, the genetic testing company 23andMe announced that it will temporarily stop offering some of its services. The company sells a \$99 genetic test that is used to inform patients about their risk of developing certain diseases, such as breast cancer. The company will continue to provide customers with their raw genetic information gleaned from the test, but it will not interpret that data

while the product undergoes regulatory review. The FDA has asserted that the company has not submitted all the evidence necessary to demonstrate that the test performs properly.

HRI impact analysis: The FDA is concerned that the test could malfunction and provide consumers with an inaccurate interpretation of their genetic results. Genetic data can be used by patients and caregivers for a number of reasons, such as undergoing surgery as a precautionary measure or [determining medication regimens](#). According to HRI's recent report on the [customer experience in the pharmaceutical sector](#), consumers want their medication experience to be personalized and meaningful. Genetic tests and companion diagnostics can help deliver a customized experience for consumers, but some of these products may be slower to market as they await regulatory and [reimbursement decisions](#).

Federal court ruling could pose new challenges for Medicare Advantage plans

Last week a federal judge in Connecticut [temporarily ordered](#) UnitedHealthcare to keep more than 2,000 physicians in its Medicare Advantage network. The judge ruled that the insurer's decision to remove physicians from its Medicare plans wasn't supported by its contracts, and the judge temporarily stalled the terminations so the contracted physicians could have more time to file appeals. As [Kaiser Health News reports](#), several physician groups in other states are now considering suing to halt terminations.

HRI impact analysis: The ruling could pose problems for Medicare Advantage plans. Many are narrowing their provider networks as a way to control costs in response to medical loss ratio requirements. A new health insurance industry tax is also set to begin in 2014 and will draw \$8 billion away from the insurance industry in the first year alone. The court's ruling could make it more difficult for plans to control membership in their networks, meaning they'll need to trim elsewhere—in areas such as plan benefits and cost-sharing—to offset expenses.

Readmissions rates decline as hospitals improve care coordination

Medicare readmission rates averaged less than 18% during the first two quarters of 2013, a strong signal that hospitals and health systems have made strides in improving care coordination and discharge planning. Overall, the data translates to an estimated 130,000 fewer hospital readmissions between January 2012 and August 2013—a decrease of about 1 percentage point from 2011, according to a [report](#) released last week by CMS. Under the ACA, hospitals are penalized 2% of their reimbursement for patients who have an unplanned readmission within 30 days of discharge. That fee increases to 3% in October 2014.

HRI impact analysis: Decreased readmission rates are seen as one of the key strategies for keeping national healthcare spending in check. On average, the cost for treating previously discharged patients who return to hospitals within a month's time runs \$26 billion annually, according to HRI's annual [Behind the Numbers](#) report. Readmission numbers are likely to continue to decrease, as nearly [80% of hospitals](#) say they expect to have a coordinated effort in place to reduce readmissions by year's end. Most programs will focus on follow-up planning and case management, with some hospitals partnering with home health agencies and skilled nursing facilities to improve care outside of the medical center setting.

New survey reveals many employers considering private exchanges

According to a new study, 45% of employers said they have used or plan to consider a private exchange for their full-time employees before 2018. The survey of 723 employers was conducted by the [Private Exchange Evaluation Collaborative](#), a partnership between PwC and four of the largest non-profit business coalitions. The study also found that if employers are allowed to contribute toward employee coverage on public exchanges by 2017 or 2018, 58% would consider doing so. The results reaffirm the healthcare industry's steady movement away from traditional employer group-based models of insurance to a more [retail, consumer-centric model](#).

New report from HRI: Top health industry issues of 2014

As [implementation of the ACA](#) reaches its peak in 2014, innovative companies are empowering healthcare customers with new solutions and forcing the entire industry to rethink the way it does business. The 2014 Top Issues report examines the shifting healthcare landscape and offers insights on how to survive rising expectations and tough competition. To download the report, view videos and info-graphics, please click [here](#).

Upcoming events & deadlines

- **December 23** – Extended [deadline](#) for consumers to sign up for health insurance coverage through the health insurance exchanges for coverage beginning January 1.
- **December 26** – Comments [due](#) on proposed HHS rule that sets payment parameters and oversight provisions for the 2015 open enrollment period.

- **January 1** – Exchange plan and expanded Medicaid coverage begins.
- **January 27** – Comments due for Medicare hospital outpatient prospective payment system and the Medicare ambulatory surgical center payment system rates for CY 2014.

Quote of the week

“Most behavioral health conditions are treatable, yet too many Americans are not able to get needed treatment,” said Health Resources and Services Administration (HRSA) Administrator Mary K. Wakefield, Ph.D., R.N. The U.S. Department of Health and Human Services will be issuing \$50 million in grants to help Community Health Centers establish or expand behavioral health services for people living with mental illness and drug and alcohol problems.

In the news

A recent article from the *The New York Times* reveals that the state of New York health insurance exchange has had more than 100,000 people sign up for coverage, with two-thirds choosing private plans and the rest opting for Medicaid. State officials say that they are on track to reach their enrollment goal of 1.1 million people by the end of 2016.

Factually correct

\$213 billion – the estimated amount of reimbursements and payments lost each year in the United States due to wasteful or unnecessary treatment resulting from lack of adherence to physician instruction and poor medication management, according to a survey conducted by HRI.

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