



# Healthcare Policy: What to Expect in 2016

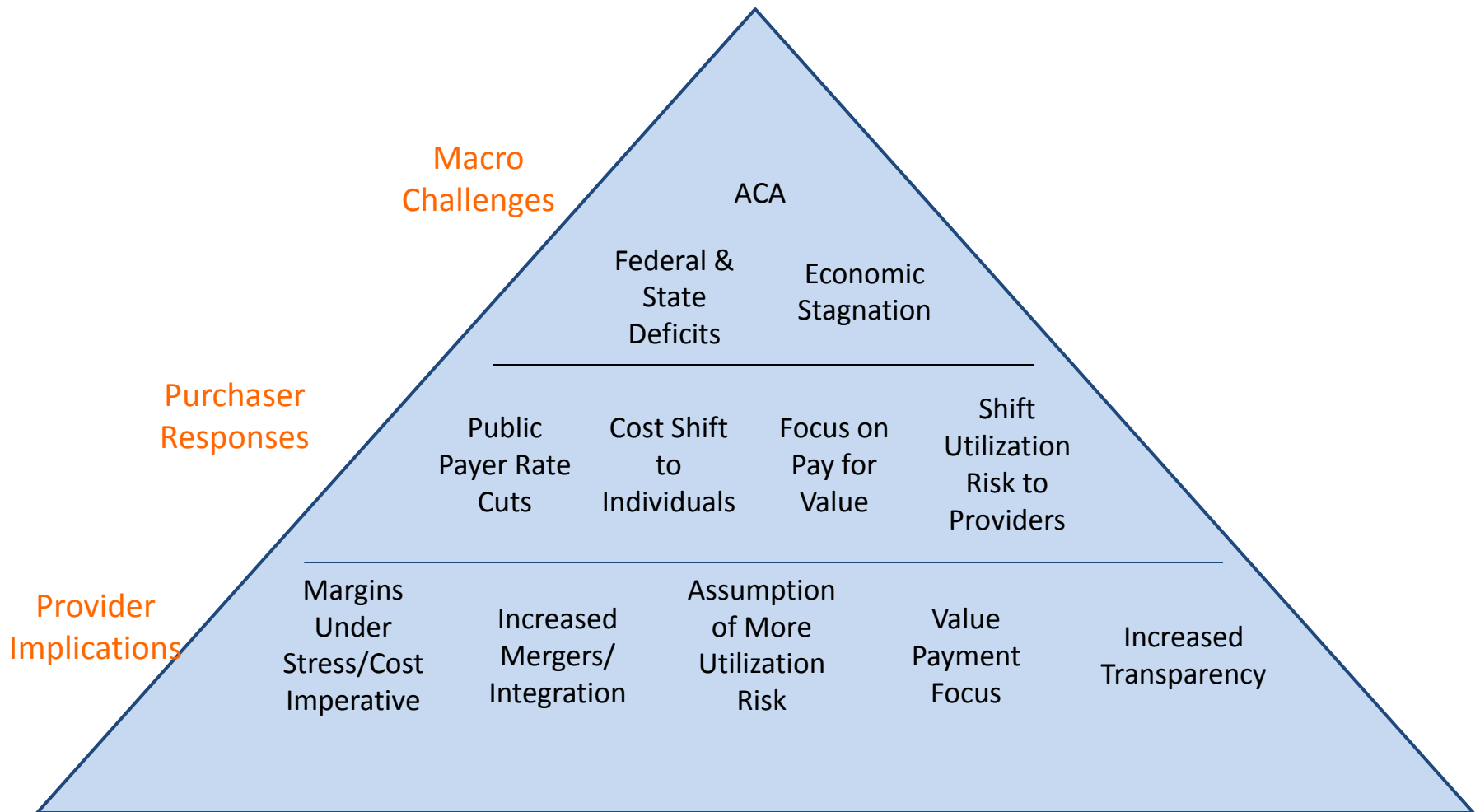
January 14, 2016

Dear New Year's Resolution,  
Well, it was fun while it lasted.

Sincerely,  
January 2nd

# Hierarchy of Environmental Pressures

Long-Term Macro-Economic Challenges are Putting Pressure on  
Providers in a Number of Ways



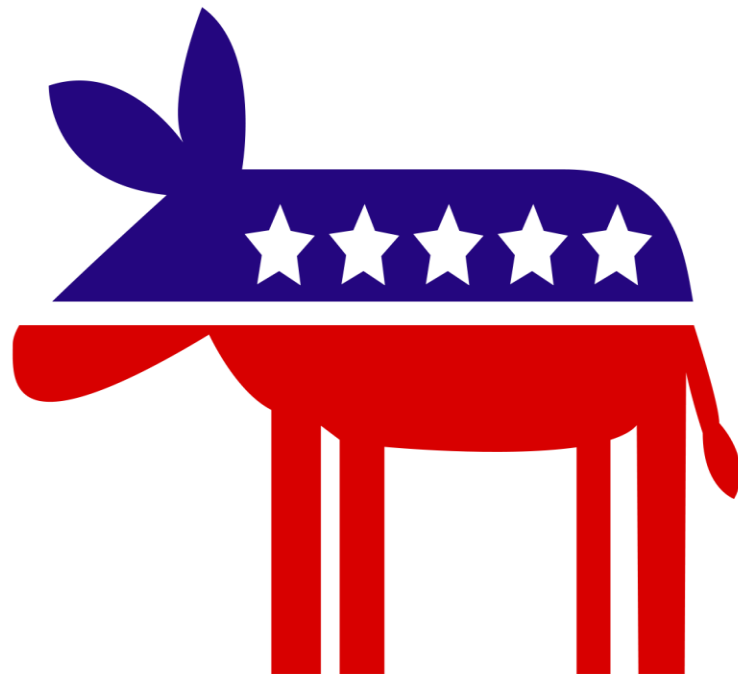
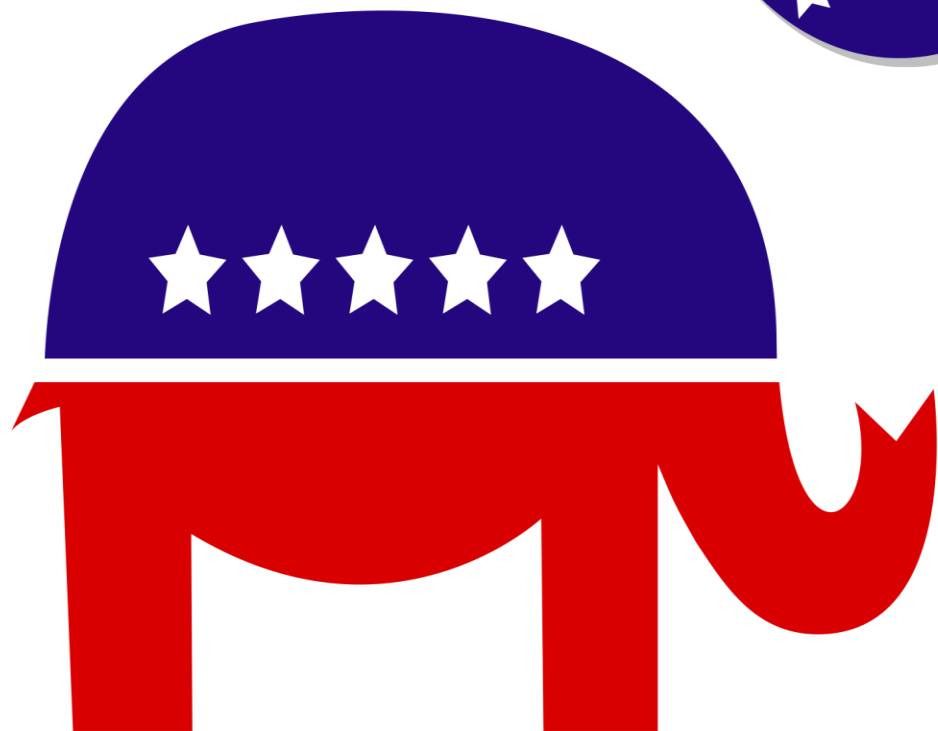
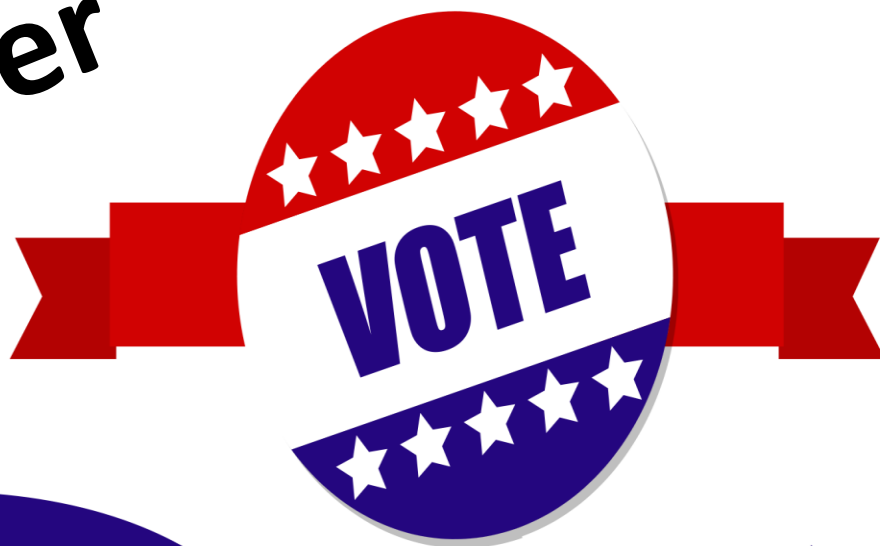
“ Politics is the ability to foretell what is going to happen tomorrow, next week, next month and next year and to have the ability afterwards to explain why it didn't happen.

Winston Churchill

”

November  
8

2016



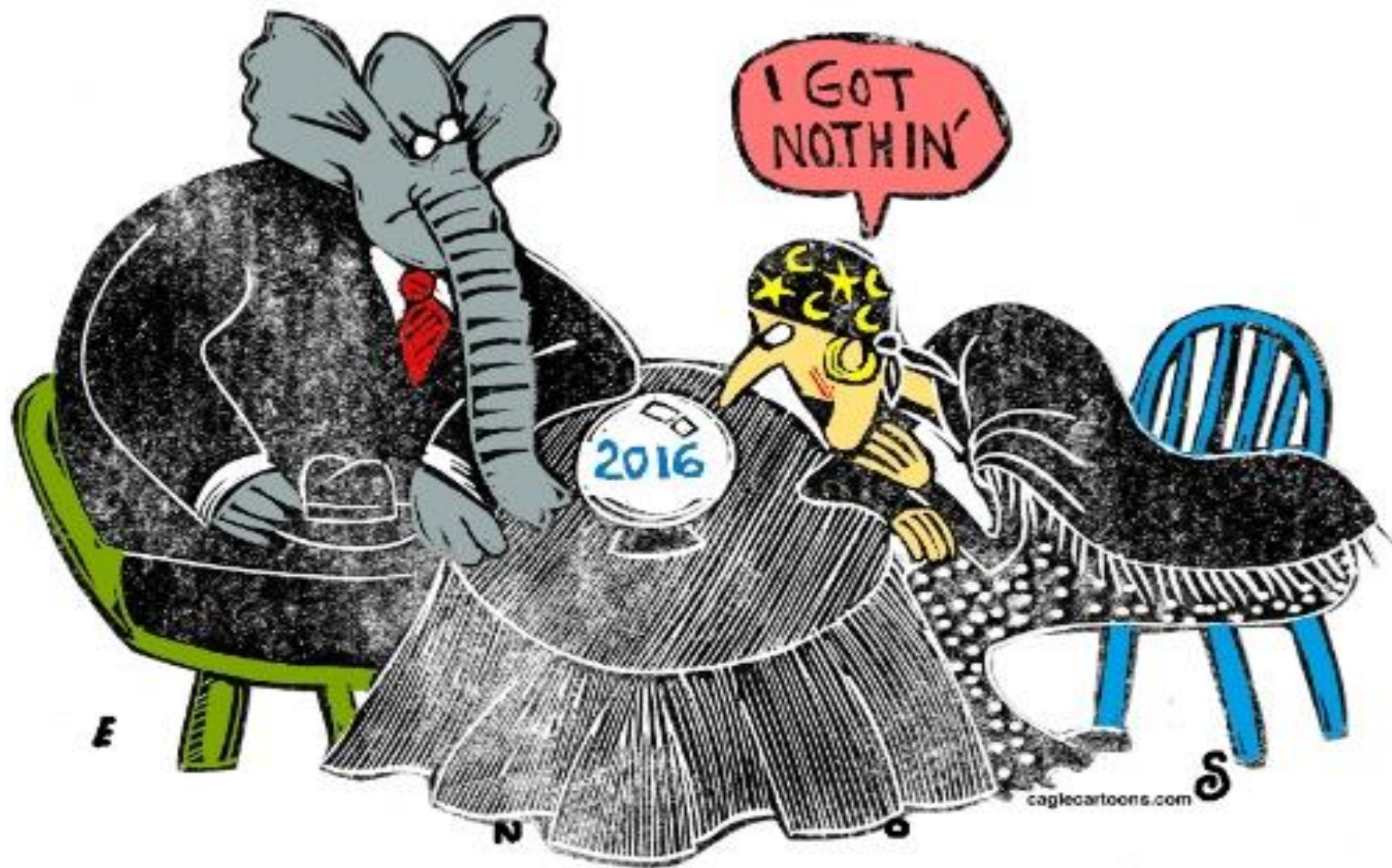
# TRUMP



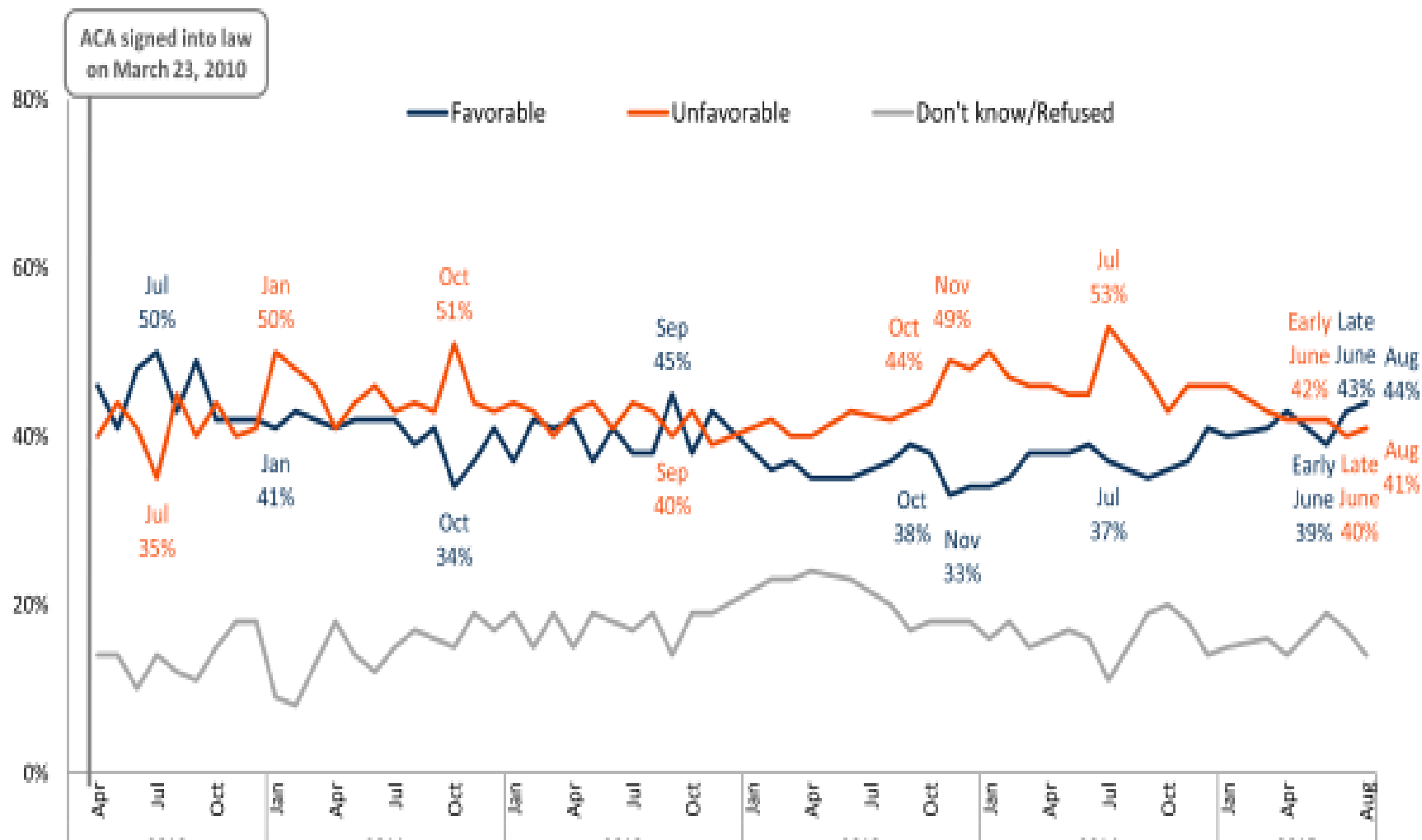
**WE SHALL  
OVERCOMB**

2016





As you may know, a health reform bill was signed into law in 2010. Given what you know about the health reform law, do you have a generally favorable or generally unfavorable opinion of it?



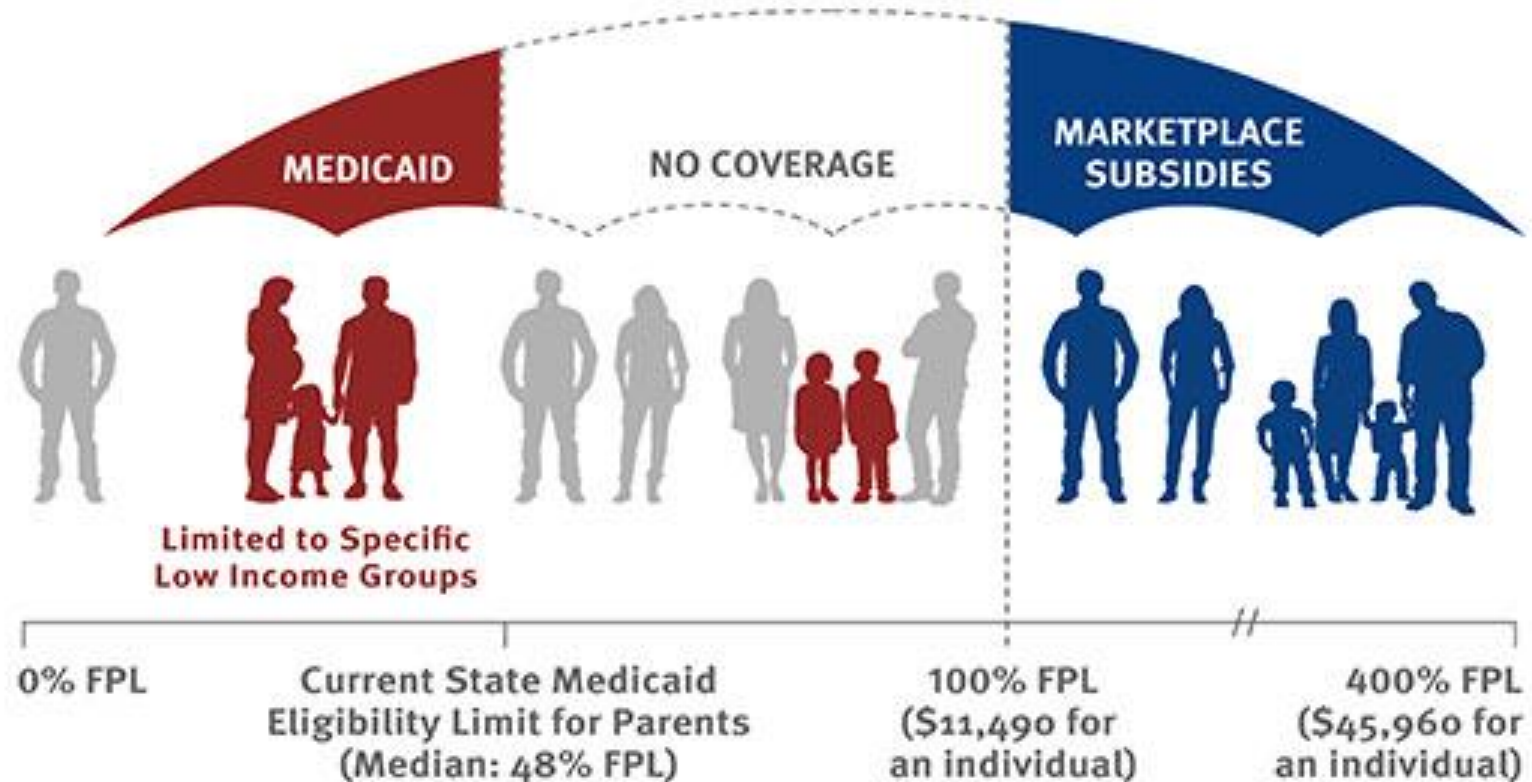


Percent who say each of the following should be a top health care priority for the President and Congress:

RANK	TOTAL	DEMOCRATS	INDEPENDENTS	REPUBLICANS
1	Making sure that high-cost drugs for chronic conditions are affordable to those who need them (76%)	Making sure that high-cost drugs for chronic conditions are affordable to those who need them (87%)	Making sure that high-cost drugs for chronic conditions are affordable to those who need them (72%)	Making sure that high-cost drugs for chronic conditions are affordable to those who need them (66%)
2	Government action to lower prescription drug prices (60%)	Requiring all states to expand their Medicaid program (74%)	Protecting people from being charged high prices when they visit hospitals covered by their health plan but are seen by a doctor not covered by their plan (62%)	Repealing the entire health care law (60%)
3	Protecting people from being charged high prices when they visit hospitals covered by their health plan but are seen by a doctor not covered by their plan (56%)	Making financial help to purchase health insurance available to more people (72%)	Making sure health plans have sufficient provider networks (58%) ** Making information about the price of care more available to patients (58%)	Repealing the individual mandate (52%)



In states that do not expand Medicaid, there will be large gaps in coverage, leaving millions of low-income adults with no affordable options.

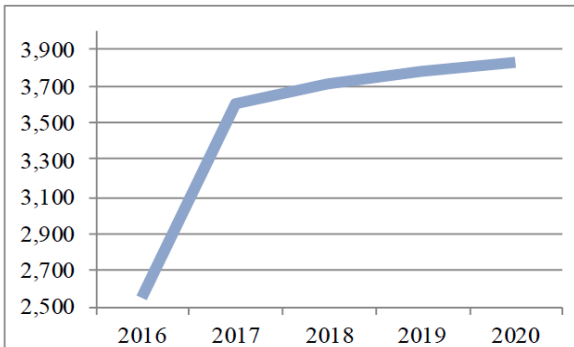


NOTE: Applies to states that do not expand Medicaid. The current median state Medicaid eligibility limit for parents is 48% FPL in the 21 states that are not moving forward with the Medicaid expansion at this time.

This information is from a report prepared for the Kansas Hospital Association. All opinions and conclusions in this report are those of the authors and do not represent institutional views of REMI, GW, or the Kansas Hospital Association.



### KanCare Expansion Increases Jobs



**Without Expansion ...**

**2,546 fewer jobs are created in 2016**

**3,830 fewer jobs are created in 2020**

### Economic Effects of Expansion

Year	New Federal Funds (in millions)	Increase in Gross State Product (in millions)
2016	\$299.2	\$182.9
2017	\$435.3	\$259.9
2018	\$465.8	\$269.0
2019	\$498.4	\$275.5
2020	\$533.3	\$280.7
<b>Total</b>	<b>\$2,231.9</b>	<b>\$1,268.1</b>

### Kansas Fiscal Impacts

Year	Increased State Medicaid Costs	New State Revenues	Offsetting State Health Savings	Net State Savings
2016	\$10.30	\$5.20	\$34.10	\$29.00
2017	\$68.40	\$12.80	\$54.80	(\$0.80)
2018	\$72.90	\$15.90	\$58.80	\$1.80
2019	\$77.60	\$17.10	\$63.10	\$2.60
2020	\$82.70	\$18.10	\$67.80	\$3.20
<b>Total</b>	<b>\$311.90</b>	<b>\$69.10</b>	<b>\$278.50</b>	<b>\$35.70</b>

In Millions of Dollars





**Since Jan. 1, 2014,  
Inaction has cost Kansas:**

**\$387,051,159.85**

**Without a Kansas-solution that builds upon  
the KanCare program, Kansas will lose  
millions in federal funding.**

# **Gov. Brownback:**

## **Rural Hospitals Need to Innovate**

**“Rural hospitals have had challenges for 30 years, and we keep trying to help any way we can.”**



**“The question is not whether hospitals are looking for ways to innovate. Rather, the question is whether the state of Kansas is doing all it can to support innovation in healthcare.”**



# Governor Brownback on Mercy Hospital Closure

**“They should blame it on Obamacare”**



**This isn't about blame—it is about the state doing what it can to support access to care.**

**Supporting Medicaid  
Expansion is a “morally  
reprehensible” position**



**Really?**





**Since Jan. 1, 2014,  
Inaction has cost Kansas:**

**\$920,066,171.43**

**Without a Kansas-solution that builds upon  
the KanCare program, Kansas will lose  
millions in federal funding.**

## Individual Income Tax Receipts

(Dollars in Millions)

	U.S. Growth Average*	No KS Tax Cuts, Average Growth	Kansas Actual	Difference
FY 2012		\$ 2,908	\$ 2,908	
FY 2013	13.8%	\$ 3,309	\$ 2,931	\$ 378
FY 2014	-1.2%	\$ 3,269	\$ 2,218	\$ 1,051
FY 2015	9.0%	\$ 3,563	\$ 2,277	\$ 1,286

\*Source: Rockefeller Institute of Government

# 2016 Election Questions

- **If a Republican is elected, will we repeal Obamacare**
  - All of it
  - If part, which parts
  - Effect on Expansion
- **If a Democrat is elected, what is the agenda**
  - Cost?
  - Defending Obamacare
  - Drugs
- **In Kansas**
  - Will the 2016 election bring changes
    - Brownback popularity
    - State Budget situation
    - Effect on Expansion



# More Mergers and Acquisitions?







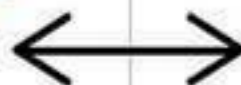
2014 Profits:

**\$2.57 Billion**



2014 Profits:

**\$2.1 Billion**



**Humana**

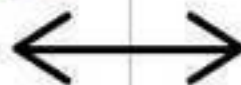
2014 Profits:

**\$1.147 Billion**

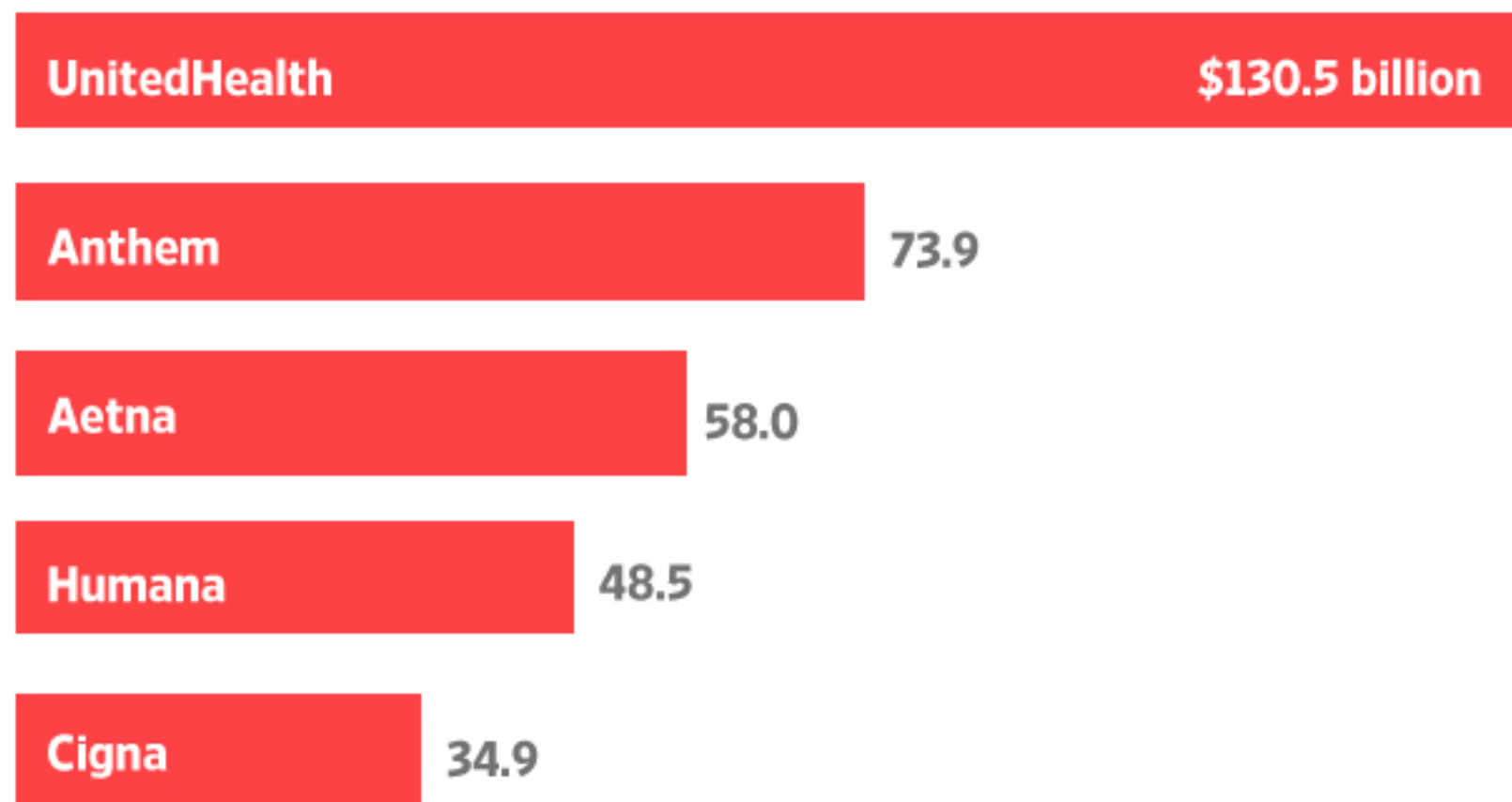
**aetna**

2014 Profits:

**\$2.041 Billion**



## U.S. health insurers by 2014 revenue



Note: Includes revenue from businesses other than insurance

Source: S&P Capital IQ

## INSURANCE MERGERS

**aetna**

**Humana**

**Anthem**



**Cigna**



**UnitedHealthcare**

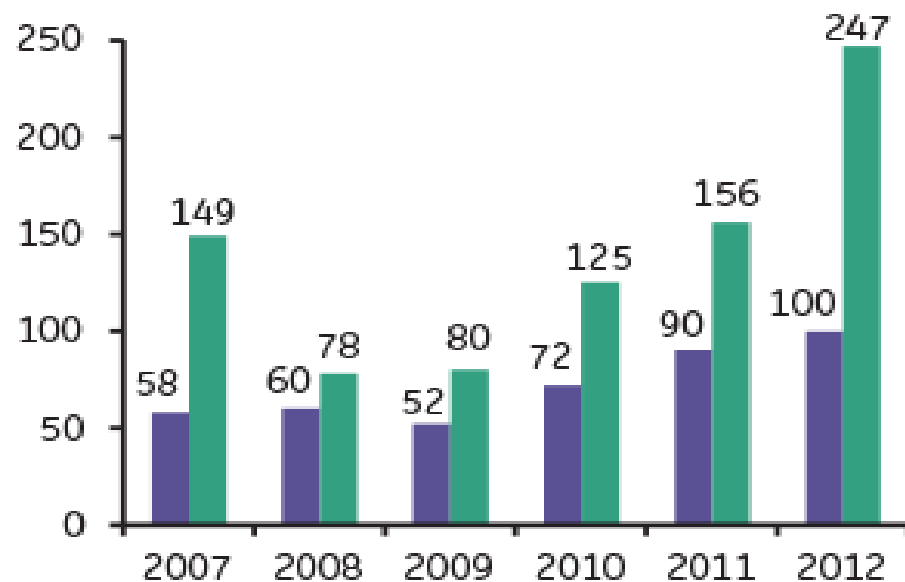
- **Congressional Hearings**
- **Advocacy Groups—AHA, AMA, AAFP**



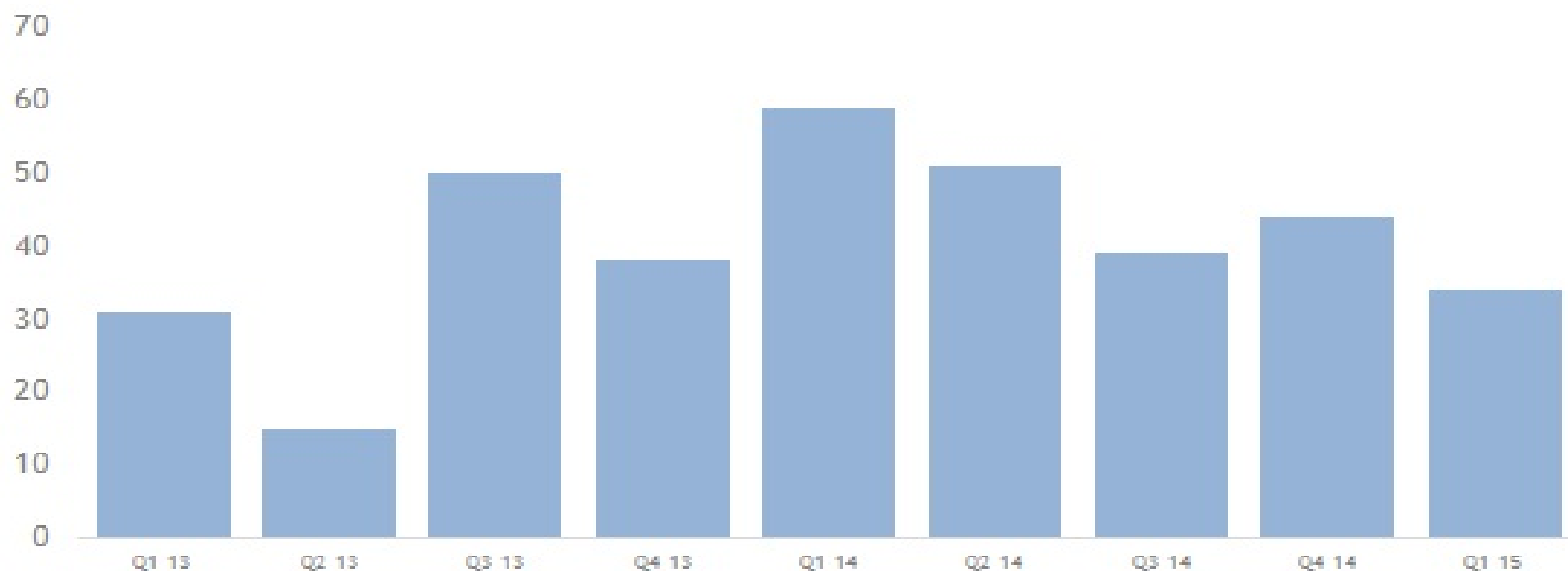
Number of Deals



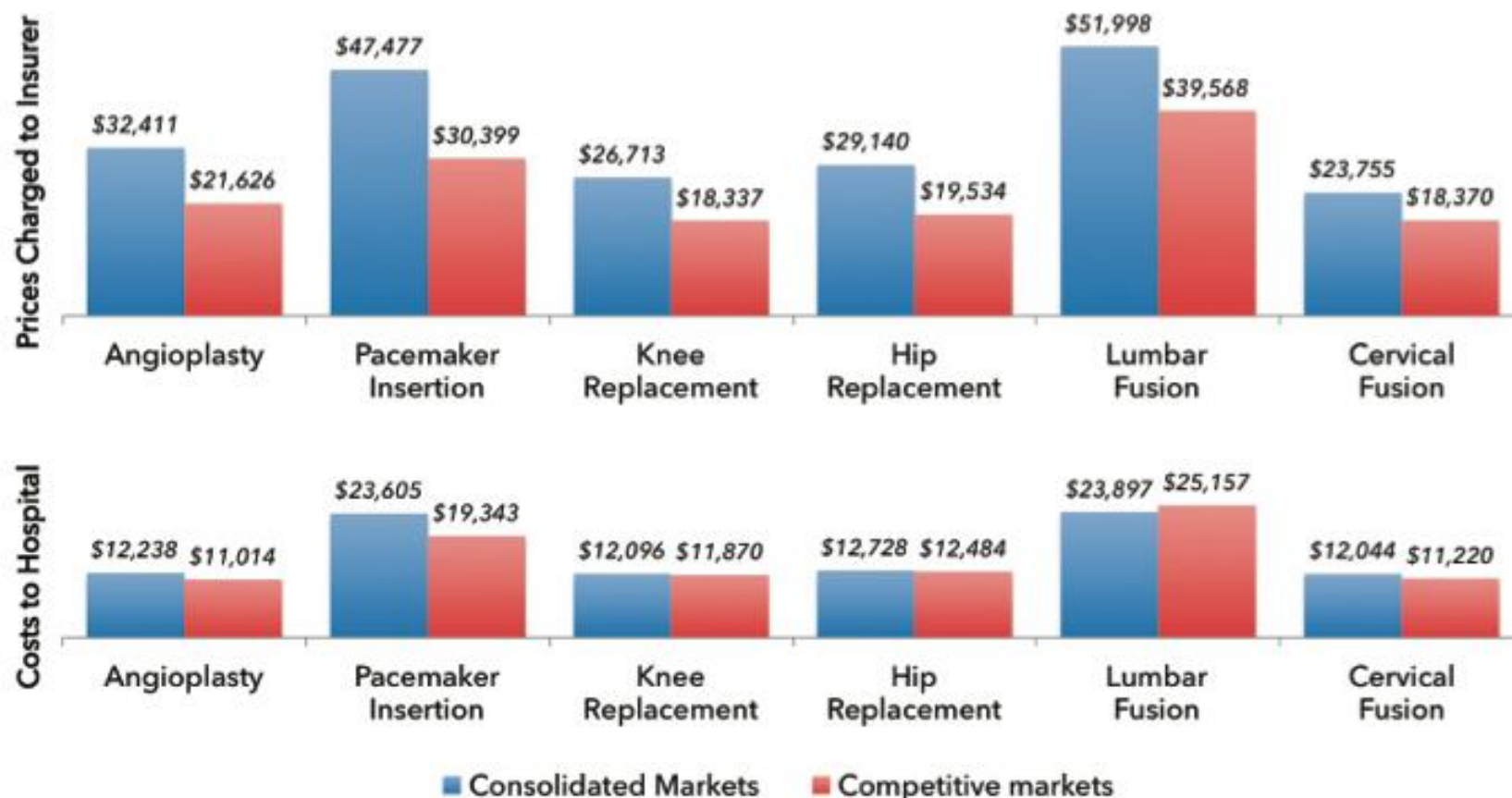
Number of Hospitals



### # Hospitals Involved in M&A Deals by Quarter, 2013 - 2015



**Figure 17.** Consolidated Hospitals Charge 44% Higher Prices, Despite Similar Underlying Costs



**Hospital monopolies and oligopolies exploit their market power to raise prices.** In 2011, James Robinson of the University of California reviewed data from 61 hospitals in markets that were either highly concentrated (above-median HHI) or competitive (below-median HHI). He found that, for six common hospital procedures, hospitals in concentrated markets charged on average 44% higher prices, despite having only a 6% difference in underlying costs. Indeed, lower costs in competitive markets could be a sign that competition among hospitals not only lowers prices charged to insurers, but also motivates competing hospitals to lower their underlying costs. Because concentrated hospital systems enjoy more than double the profits per procedure of their competitive peers, concentrated hospitals have the extra resources to mount acquisitions of their less prosperous cousins, resulting in a vicious cycle of additional consolidation. (Source: *American Journal of Managed Care*)



## ***Cost Concerns (Including Drug Prices)***







**Do you know this man?**

**Donald Trump—**

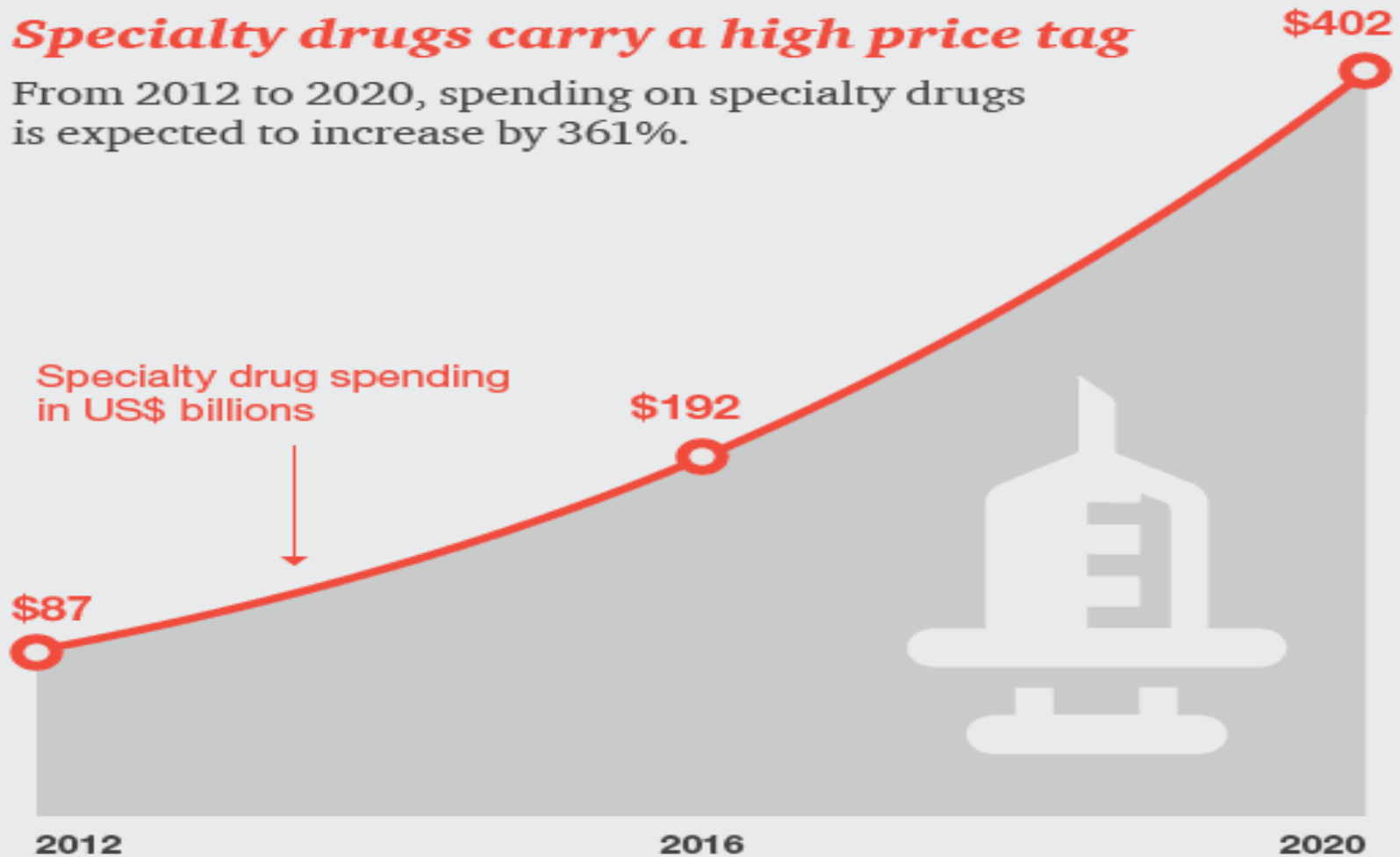
Martin Shkreli, Turing Pharmaceuticals  
CEO looks like a

*“spoiled brat”*

# Cost of Specialty Drugs

## *Specialty drugs carry a high price tag*

From 2012 to 2020, spending on specialty drugs is expected to increase by 361%.

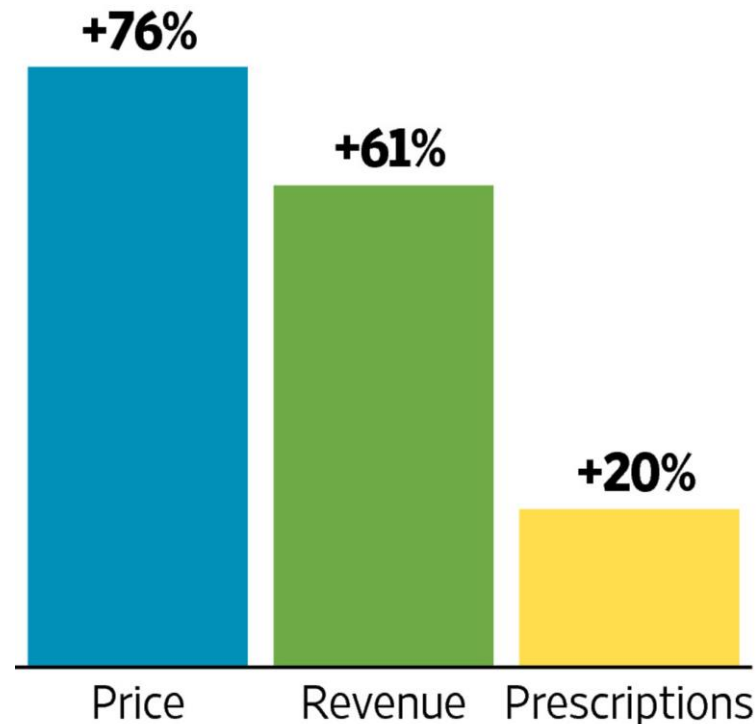


Source: PwC's Health Research Institute: *Behind the Numbers 2015* and analysis of CVS Caremark data.

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# Upping the Bill

U.S. prices for 30 top-selling drugs rose nearly four times as fast as prescription volume, on average, from 2010 through 2014.



Note: Wholesale list prices, not reflecting rebates and discounts given by drug makers.

Sources: Truven Health Analytics; IMS Health Inc.; EvaluatePharma; SEC Filings

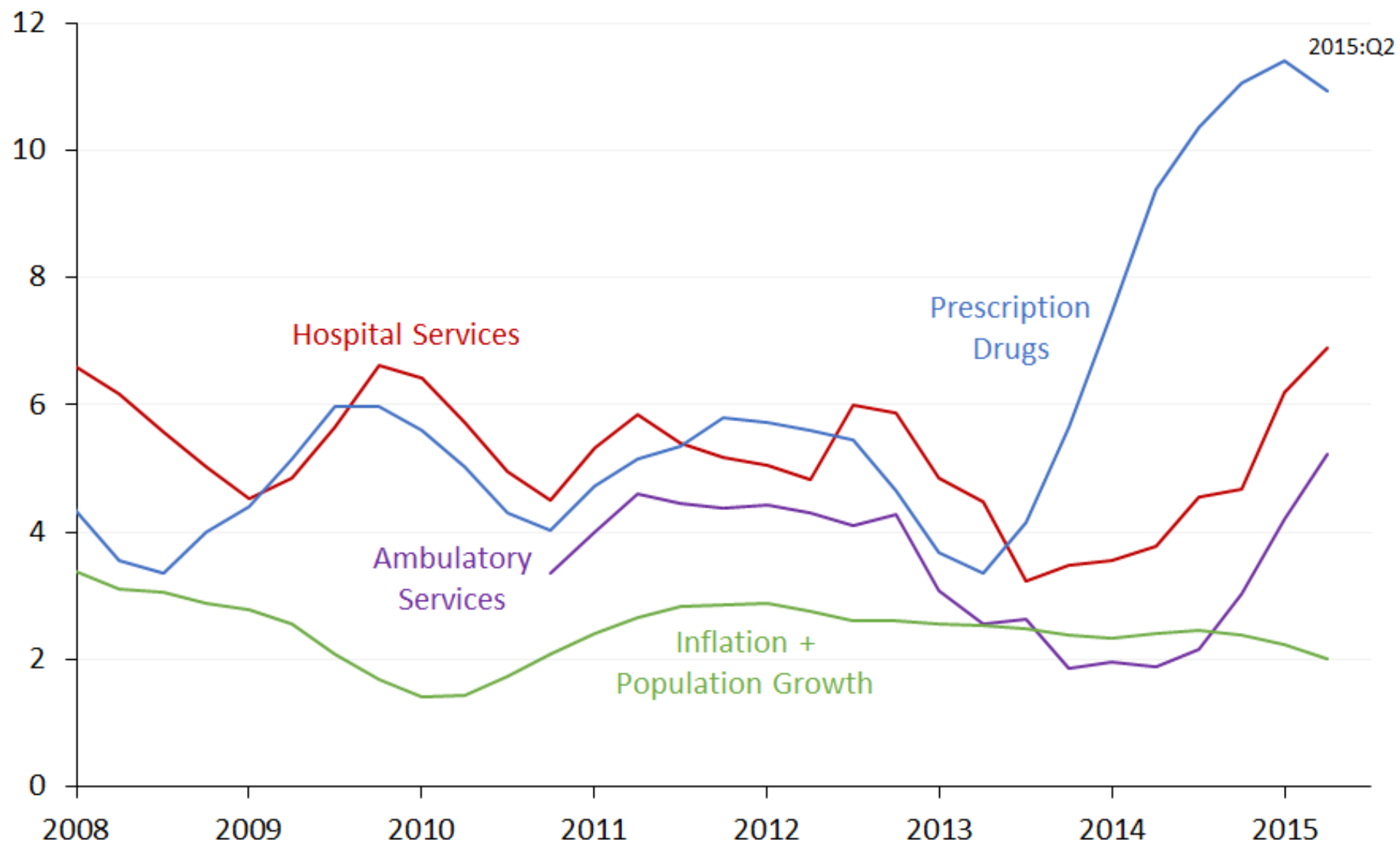
**THE WALL STREET JOURNAL.**

# Drug Prices as an Issue

- **CMS:** CMS hosted a public forum in November to find solutions on improving patient access to affordable prescription drugs
- **Congress:** The Senate Finance Committee released its 18-month investigation into the pricing strategies of Gilead's Sovaldi and Harvoni and the Senate Special Committee on Aging held a hearing on drug pricing
- **Candidates:** Secretary Clinton is proposing a \$250/month cap on out-of-pocket drug spending, importation, prohibition of industry pay for delay tactics to keep generics off the market.

# Growth in Nominal Aggregate Health Care Spending

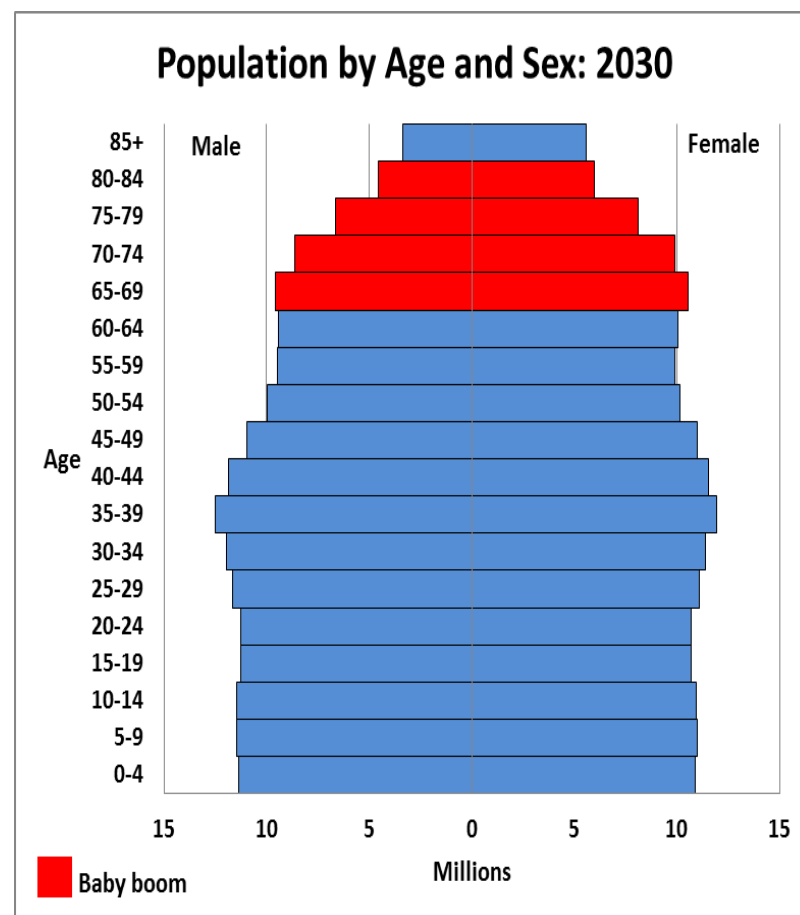
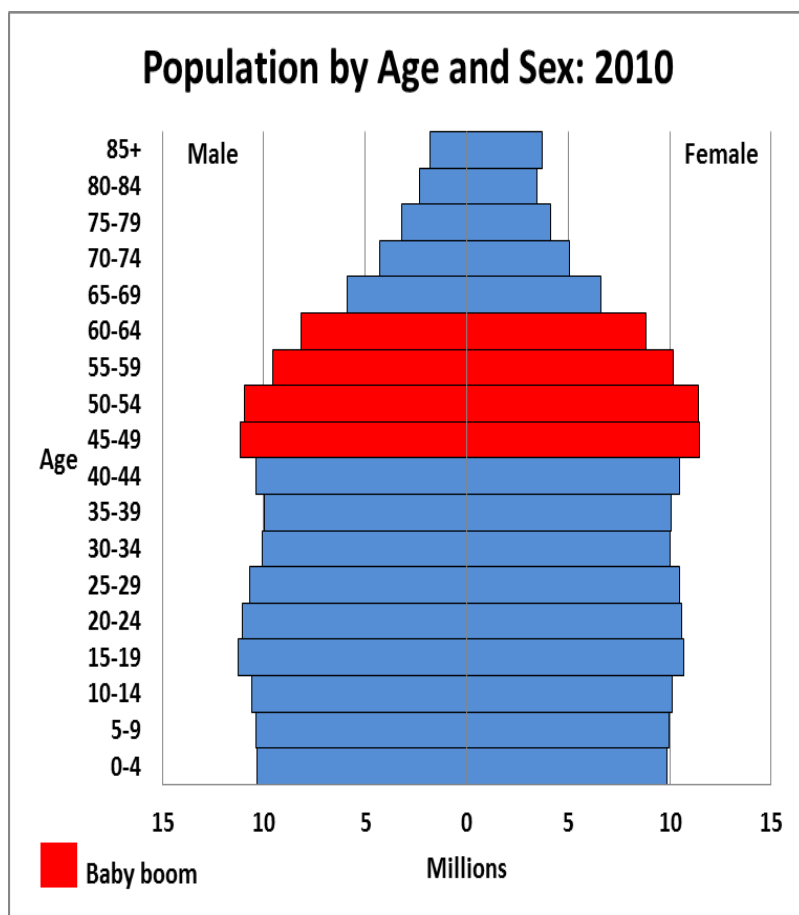
4Q over 4Q percent growth



Source: Census Bureau, Quarterly Services Survey (hospital services & ambulatory services); Bureau of Economic Analysis National Income and Product Accounts (prescription drugs, population, GDP price index).



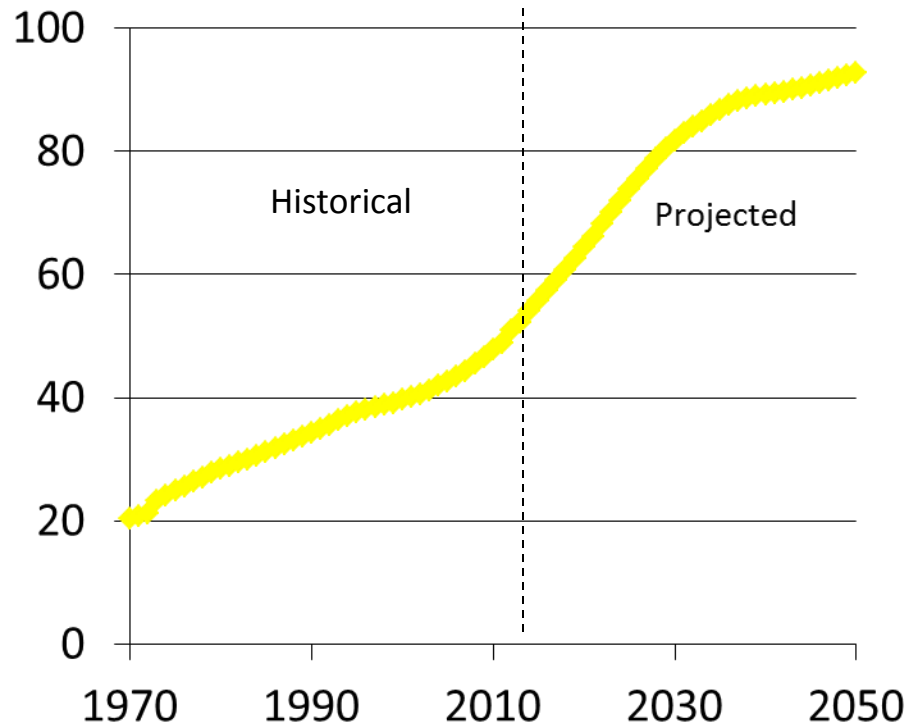
# Baby Boomers' Aging Contributes to Rapid Population Aging



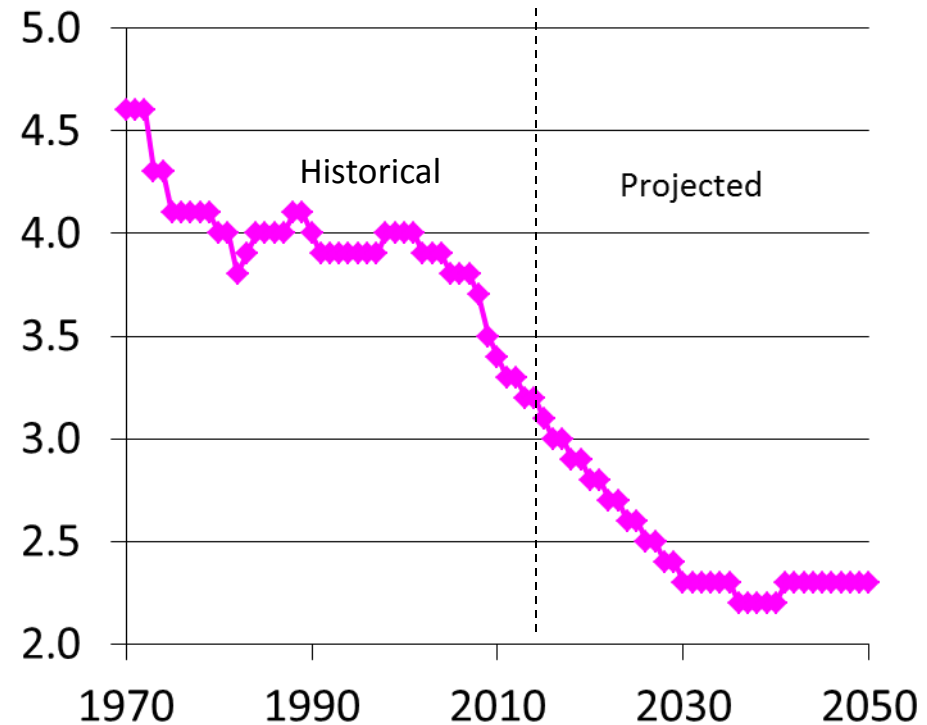
# Medicare Enrollment Projected to Grow Rapidly

## Workers per HI Beneficiary Projected to Decline

Medicare enrollment (in millions)



Workers per HI beneficiary



Note: HI (Hospital Insurance, otherwise known as Medicare Part A).

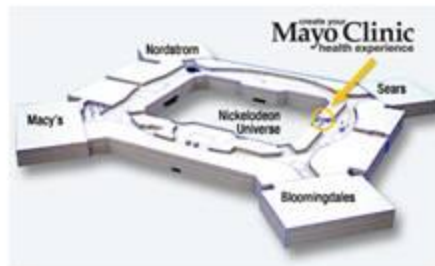
Source: Boards of Trustees 2014.

Source: MedPAC

# DIY Health



**AMERICAN WELL™**



**WHITE GLOVE**

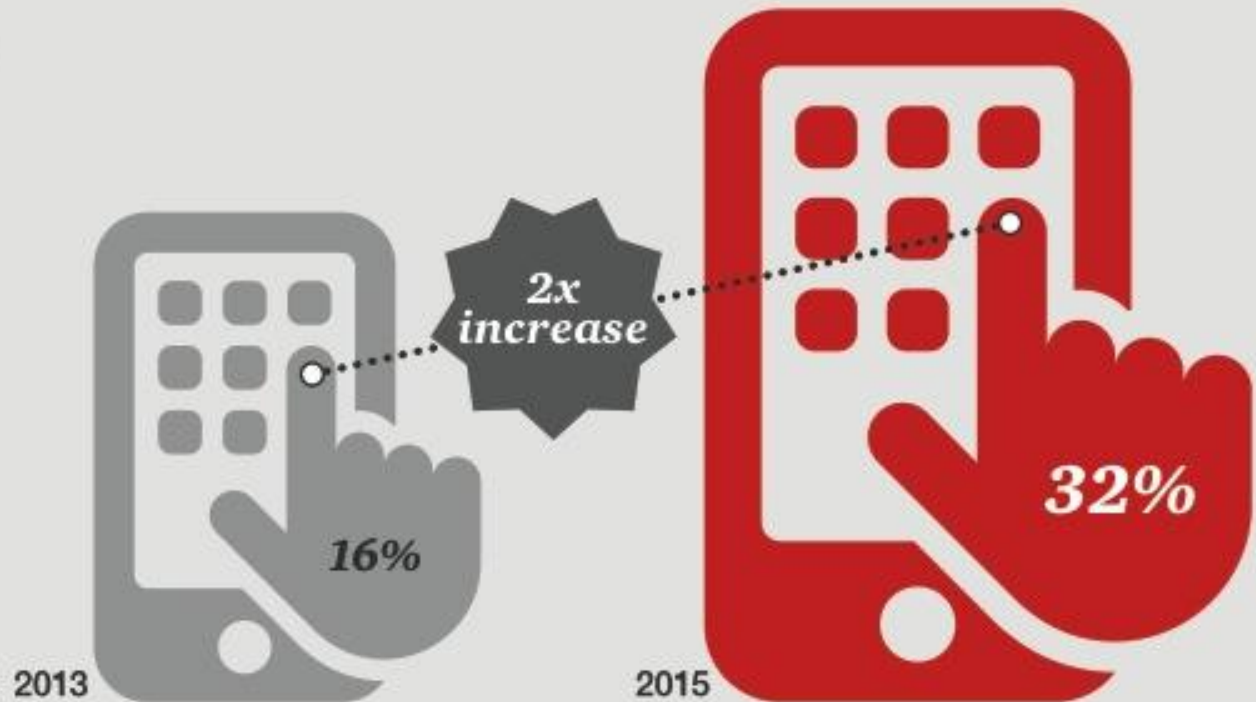
**WebMD®**



**MedHelp**  
finding cures together™

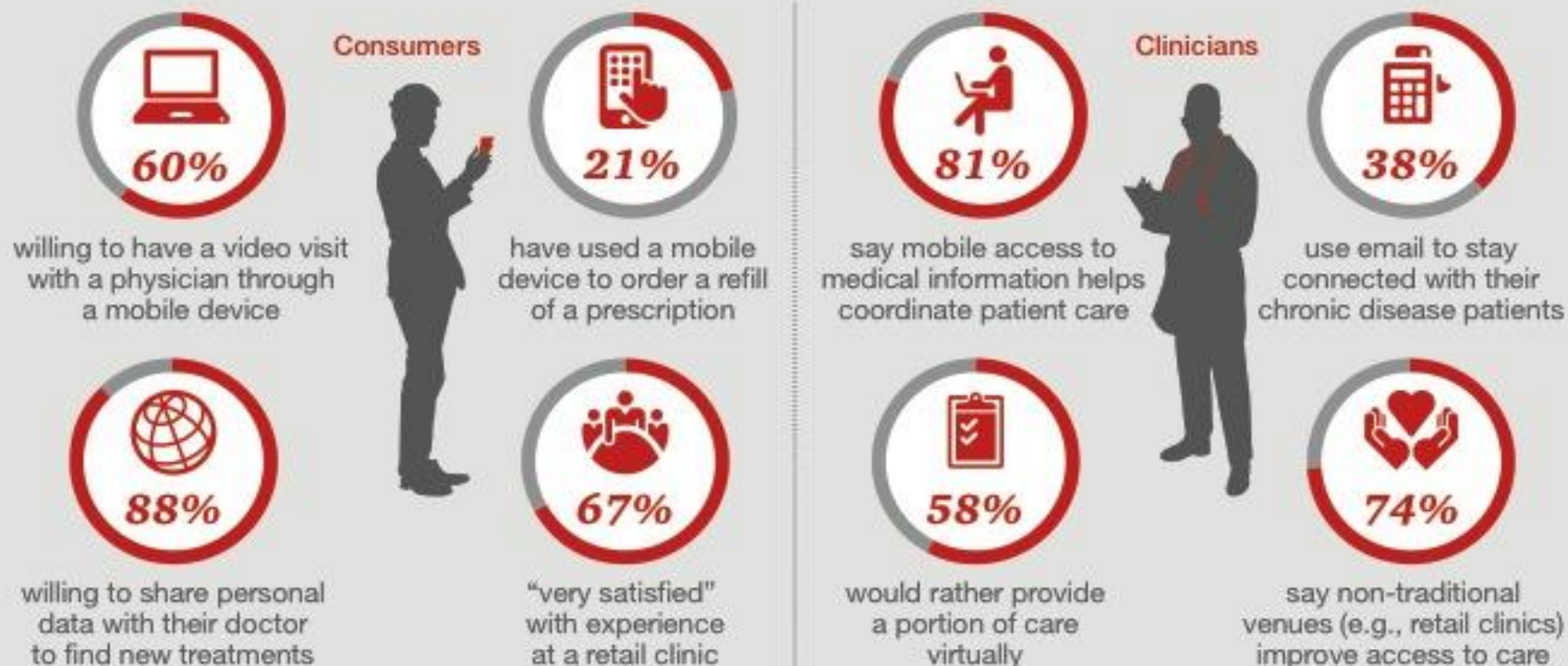
## Mobile health app adoption doubles in two years

Percentage of consumers with at least one medical, health or fitness app on their mobile devices



Source: HRI Consumer Survey, PwC, 2013, 2015

# More mobile, more accessible, more connected



HRI Consumer Survey, PwC, 2015 and HRI Clinician Workforce Survey, PwC, 2014 and 2015



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### Trust in TeleHealth



Patients

**76%**

find access to care more  
important than physical  
human contact with their care  
provider

# More and More Data

## Consequences to Increased Availability of Data

### ➤ **Security**

- PHI is redefined
- Get your data use agreements in place!

### ➤ **Accuracy**

- More scrutinized
- Improves the quality of the data

### ➤ **More demand**

- Everybody wants it
- The business of Data Analytics

# The Evolution of Hospital Data



## Increased Data Requests

# Increasing Importance of Data Means Increasing Importance of Data Security

## What are the primary causes of **BREACHES?**

Common reasons include:

- 46% A lost or stolen computing device
- 42% Employee mistakes or unintentional actions
- 42% Third party snafus
- 33% Criminal attack
- 31% Technical systems glitch
- 14% Malicious insider
- 8% Intentional non-malicious employee action



These breaches were discovered by:

52%  
audit/  
assessment



47%  
employee  
detected



36%  
patient  
complaint







# Behavioral Health: Moving to the Forefront




**Mental  
Health  
*is*  
Health.**

# Bipartisan Behavioral Health Reform



"Our nation's  
**EPIDEMIC OF  
GUN VIOLENCE**  
exact's far too  
high a toll on the  
**HEALTH**  
of our communities."  
— APHA's GEORGES BENJAMIN, MD

**#STOPGUNVIOLENCE**

 **APHA**  
AMERICAN PUBLIC HEALTH ASSOCIATION  
For a world that works for health



**STATE  
OF  
KANSAS**

**OSAWATOMIE  
STATE  
HOSPITAL**

**Department for Aging and  
Disability Services**











# Continued March From Volume to Value



# Clinical Practice Leaders Have Already Charted the Pathway to Clinical Transformation

Traditional Approach		Transformed Practice
Patient's chief complaints or reasons for visit determines care.		We systematically assess all our patients' health needs to plan care.
Care is determined by today's problem and time available today.		Care is determined by a proactive plan to meet patient needs.
Care varies by scheduled time and memory/skill of the doctor.		Care is standardized according to evidence-based guidelines.
Patients are responsible for coordinating their own care.		A prepared team of professionals coordinates a patient's care.
Clinicians know they deliver high quality care because they are well trained.		Clinicians know they deliver high quality care because they measure it and make rapid changes to improve.
It is up to the patient to tell us what happened to them.		You can track tests, consults, and follow-up after the ED and hospital.

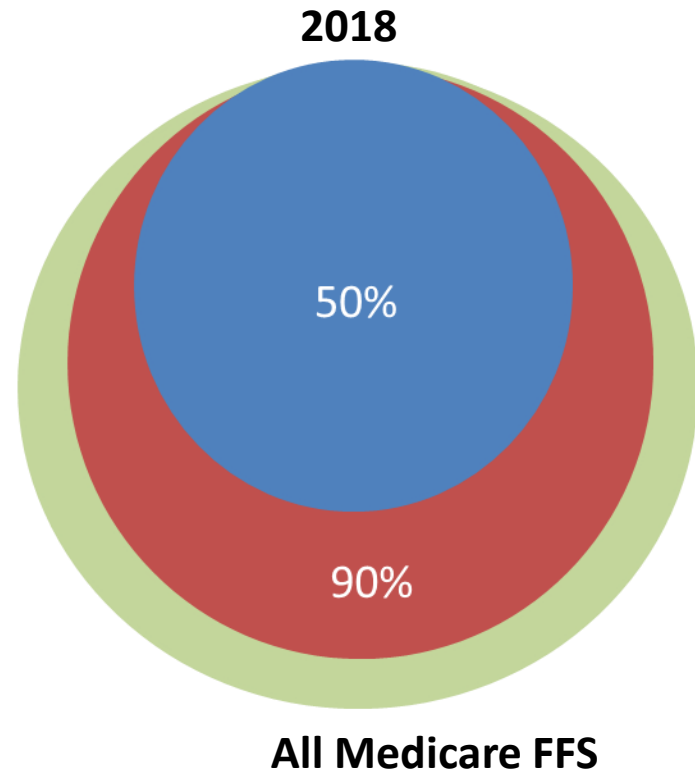
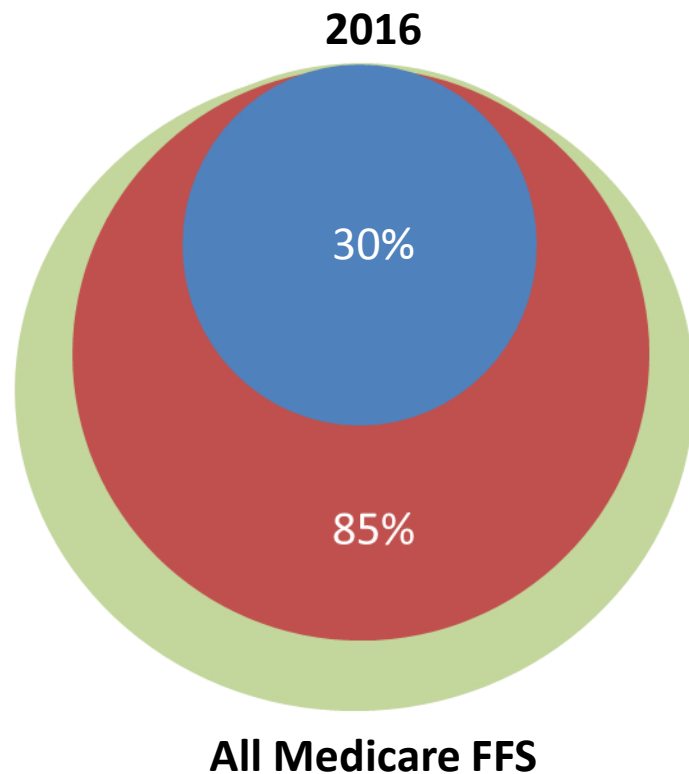


# Payment Taxonomy Framework

	<b>Category 1</b> <i>Fee for Service</i> <i>No Link to Quality</i>	<b>Category 2</b> <i>Fee for Service</i> <i>Link to Quality</i>	<b>Category 3</b> <i>Alternative Payment</i> <i>Models Built on Fee-For-</i> <i>Service Architecture</i>	<b>Category 4</b> <i>Population-Based</i> <i>Payment</i>
Description	<i>Payments are based on volume of services and not linked to quality or efficiency</i>	<i>At least a portion of payments vary based on the quality or efficiency of health care delivery</i>	<i>Some payment is linked to the effective management of a population or an episode of care. Payments still triggered by delivery of services, but opportunities for shared savings or 2-sided risk.</i>	<i>Payment is not directly triggered by service delivery so volume is not linked to payment. Clinicians and organizations are paid and responsible for the care of a beneficiary for a long period (e.g., ≥1 <u>yr</u>)</i>
Medicare FFS	<ul style="list-style-type: none"> <li>• Limited in Medicare fee-for-service</li> <li>• Majority of Medicare payments now are linked to quality</li> </ul>	<ul style="list-style-type: none"> <li>• Hospital value-based purchasing</li> <li>• Physician value-based modifier</li> <li>• Readmissions/hospital acquired condition reduction program</li> </ul>	<ul style="list-style-type: none"> <li>• Accountable care organizations</li> <li>• Medical homes</li> <li>• Bundled payments</li> <li>• Comprehensive primary care initiative</li> <li>• Comprehensive ESRD</li> <li>• Medicare-Medicaid financial alignment initiative fee-for-service model</li> </ul>	<ul style="list-style-type: none"> <li>• Eligible pioneer accountable care organizations in years 3-5</li> </ul>

# Target Percentage of Medicare FFS Payments Linked to Quality and Alternative Payment Models in 2016 and 2018

- All Medicare FFS (Categories 1-4)
- FFS Linked to Quality (Categories 2-4)
- Alternative Payment Models (Categories 3-4)



# **In Summary**

- **Continuing cost concerns**
- **More risk to patients and providers**
  - More out of pocket
  - New delivery models
- **Growing consumerism assisted by increases in technology**
- **More reliance on data**
- **Politics, Politics, Politics**

**THANK YOU!**

