



Policy Brief

February 8, 2019



Key Health Care Issues Addressed in the State of the Union

In the much-anticipated State of the Union, President Trump gave a few remarks on health care that signal his Administration's agenda for 2019. This included lowering drug prices, boosting research on childhood cancer, ending the HIV/AIDS epidemic and banning late-term abortions. He also [reiterated](#) his commitment to price transparency, stating "We should also require drug companies, insurance companies and hospitals to disclose real prices to foster competition and bring costs down." For further details on the President's speech, [click here](#)



U.S. Prescription Drug Pricing: What's on the Horizon

The cost of prescription drugs in America is on the rise. A [health affairs study](#) shows U.S. spending on prescription drugs tripled from 1997 to 2007. The drastic price increases have generated media coverage that has caught the eyes of Congress and the White House alike. Accordingly, curbing the price of U.S.

prescriptions has become a bipartisan priority. Many believe a similar probe in hospitals cost to patients could be next. Read more to learn what actions have taken place in the quest to lower drug prices and what could be coming down the pike.

The President's Proposal

In May of 2018, the President released a [blueprint](#) to lower drug prices. Since the release of [the proposal](#), there have been several actions taken to implement the President's vision. In a recent speech, HHS Secretary Alex Azar urged Congress to require drug manufactures to include drugs' list prices in their advertisements. Azar stated, "Congress has an opportunity to follow through on their calls for transparency by passing our proposal into law immediately and extending it into the commercial drug market." Azar's speech is an indication that drug pricing remains a priority of the Trump Administration. The President made a similar call to action during his State of the Union address earlier this week. We expect to see continued pressure on this issue from the White House.

Congressional Hearings

Last month, the House Oversight Committee sent [letters](#) to some of the largest U.S. pharmaceutical manufacturers requesting 10 years of pricing data on the most popular prescriptions. Both chambers of Congress also held hearings last week that are expected to lay the groundwork for legislation intended to curb the cost of U.S. prescription medicine.

Regulatory Changes

Federal agencies have released a myriad of rules aimed to reduce drug pricing. Under a recent HHS proposal, insurers would no longer be required to count the full amount of a consumer's co-payment for a brand-name drug toward the annual limit on cost-sharing. The insurer could instead consider only what would be charged for the generic version of the drug. This would effectively leave the consumer on the hook to pay the price difference for brand-name drugs. The long-term goal of this rule is that drug manufacturers will succumb to mounting consumer pressure from complaints of skyrocketing drug costs and eventually lower them. In the short-term, consumers who use brand name drugs would face higher costs. Last week, HHS released another proposal that [targets backdoor rebates](#) and instead encourages manufacturers to [give discounts](#) directly to patients.



New ACA-Related Proposal Raises Access Concerns

On January 18th, HHS released a [proposed rule](#) governing key provisions of the Affordable Care Act. The rule includes policies that have [negative implications](#) for patients' access to health care. According to the Administration's projections, these changes would result in [100,000 people](#) dropping off the Health Insurance Exchanges each year, "[increasing] federal and state uncompensated care costs." Read more on what the rule proposes and what it could mean for patients.

Changing the Premium Adjustment Percentage

The rule proposes changing the formula used to set the premium adjustment percentage, which would lower federal spending but raise premiums for at least 7.3 million patients. The percentage of income and maximum out-of-pocket limits would also increase at a faster rate. Costs could be even higher for patients with expensive illnesses—the rule estimates they will see an additional \$400 in yearly out-of-pocket spending.

Incentivizing Generic Drugs, At a Cost

HHS also proposes several changes to the categorization of prescription drugs. Insurers would not have to count a patient's full co-pay, coupons or rebates for a brand-name drug toward their annual cost-sharing limit. Instead, insurers would only count the lower, generic alternative's amount. Patients would end up spending more of their own money, which might be the goal. According to the Administration, "When consumers are relieved of co-payment obligations, manufacturers are relieved of a market constraint on drug prices."

Continued Discussion: Silver-Loading and Automatic Reenrollment

Despite [previous concern](#), the proposal sidesteps banning [silver-loading](#) and auto-enrollment. Instead, HHS seeks feedback on the impact of eliminating both practices. Once again, questions related to achieving meaningful price transparency are also included. Comments on the proposed rule are due February 18th.



Price Transparency: The First Stepping Stone

In a limited attempt to improve price transparency, CMS [mandated](#) that hospitals put their chargemaster online beginning on January 1, 2019. This move [has been criticized](#) because the mandated release of information won't likely help consumers make better health care decisions. While the release of this data itself will not be consumer-friendly, it's what's done with this information that may lead to more meaningful transparency. What will happen next remains to be seen but the issue of price transparency will continue to be in the spotlight as legislators attempt to lower health care costs. Below is more on the price transparency discussion and what hospitals should look out for.

Recently, supporters of the mandate have [described](#) the publication of the chargemaster as an important first step towards advancing price transparency. While currently unusable, supporters argue that having hospitals' chargemasters publicly available may allow researchers and entrepreneurs to design an app that may make this information more user friendly. The price information may also be used to [help inform](#) existing price comparison tools, such as the [CMS Procedure Price Look Up tool](#). With raw data on hospital prices readily available, CMS can start engaging in further efforts to share price information with consumers.

While much is unknown, a predicted next step is for CMS to require health care prices to be easily accessible from the hospital's website and explained in layman's terms. CMS Administrator Seema Verma has [acknowledged](#) that, "This solution is not just as simple as revealing prices" and that there will likely be more steps toward price transparency. Additionally, while not currently mandated, a [question has been raised](#) about whether physician clinics will also be required to post their chargemaster online.



Across the Nation: Stakeholders Address Social Determinants of Health

A growing body of [research](#) has demonstrated that social determinants of health, such as housing and employment, have a significant impact on patient outcomes. This has prompted stakeholders nationwide to further engage in efforts to address social determinants of health. These efforts will likely accelerate in 2019 as providers and payers take on more risk in value-based models. Below are a few examples of what stakeholders are doing.

State and Local Governments

- North Carolina will [require](#) Managed Care companies to screen Medicaid beneficiaries for unmet social needs and connect patients with community resources.
- The Massachusetts Attorney General's Office created a Social Determinants Partnership [grant opportunity](#) for community partners and hospitals to tackle social determinants of health.
- Lawmakers in Virginia are [seeking](#) to create a Grocery Investment Fund to help attract supermarkets to food deserts in the state.
- Seattle's Housing Authority is [offering](#) some families housing vouchers to help them find homes in more affluent neighborhoods.

Health Insurers

- The National Quality Forum and the Aetna Foundation [launched](#) an initiative to identify best approaches to address social determinants of health.
- Cigna recently [launched](#) the "Healthier Kids for Our Future" initiative, a \$25 million, five-year project to reduce food insecurity among children.
- The Blue Cross Blue Shield Institute [contracted](#) with ride-sharing service Lyft to give patients rides to doctor's offices.
- UnitedHealthcare [invested](#) over \$350 million in building affordable housing units in multiple states.
- Humana's has [committed](#) to making the communities it serves 20% healthier by 2020.

Hospitals

- Kaiser Permanente [unveiled](#) several initiatives to house more than 500 homeless residents and promote affordable housing in Oakland, California.
- The [Chicago HEAL Initiative](#) has brought together 10 of the largest hospitals serving Chicago to address gun violence and the environment of 18 targeted neighborhoods.
- ProMedica [announced](#) a 10-year plan to invest \$50 million in a national model for neighborhood revitalization.
- Northwell Health [launched](#) a Food as Health program that screens for food insecurity and connects patients to community resources.



A Look at the Federal Register

Medicare Advantage and Part D payment and policy updates to maximize competition and coverage. CMS released a [notice and call letter](#) affecting Medicare Part D plans and encouraging the increased availability of opioid reversal agents. The proposal also requires Part D plans to place generic and brand-name drugs on separate formulary tiers. Within the draft call letter is a proposal to allow MA plans to offer non-primarily health related supplemental benefits to chronically-ill enrollees, including non-medical transportation and meal delivery. **Comments are due March 1st.**

Removal of Safe Harbor Protection for Rebates Involving Prescription Pharmaceuticals. HHS released a [proposed rule](#) that would eliminate the Anti-Kickback Statute's safe harbor protection for rebates paid by drug manufacturers to Pharmacy Benefit Managers (PBMs), Medicare Part D plans and Medicaid managed care plans. The proposal creates a new exception for drug discounts offered directly to patients at the point of sale. **Comments are due March 7th.**

IN OTHER NEWS

[Trump Places Health Care at Center Stage in State of the Union](#) – Washington Post

[Kansas Governor Laura Kelly Introduces Legislation to Expand Medicaid](#) – Wichita Eagle

[OpEd: A.I. Could Worsen Health Disparities](#) – New York Times

[Lawsuit Claims Safety Disregarded to Profit from OxyContin](#) – Washington Post

[NQF, Aetna Collaborate on Social Determinants](#) – American Journal of Managed Care

[New VA Standards for Community Care Program](#) – Department of Veterans Affairs