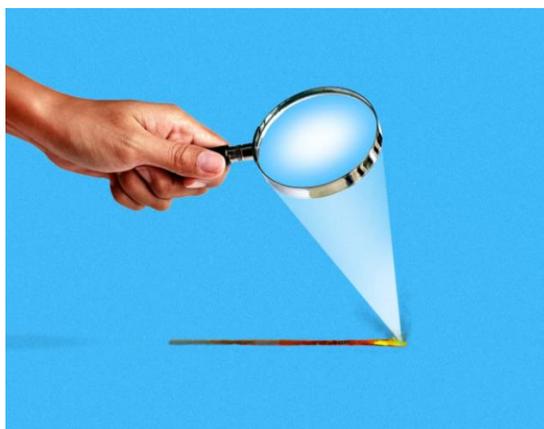




## Policy Brief

March 8, 2019



### **Pharma is Facing Congressional Scrutiny...Hospitals Could Be Next**

Last week, the Senate Finance Committee questioned CEOs from various pharmaceutical companies as part of an ongoing investigation into drug pricing. Seven executives from major drug manufacturers gave Congressional testimony and answered questions regarding the high price of prescription drugs. Many believe hospital industry prices will be placed under the magnifying glass next. What lessons from the pharma hearing can be applied to hospitals? Read more to find out.

#### **Lesson One: Information requests will become more precise.**

Congress has made various information requests to the pharmaceutical industry in the past few years. The goal of these inquiries was to admonish individuals that were deemed as outliers and bad actors like [Martin Shkreli](#) and his now infamous 5,000% price increase for an old drug for toxoplasmosis. Over time, the requests for information have become more specific and have targeted more drug manufacturers, not just the outliers. Legislators have been seeking to identify trends and achieve greater transparency. 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. Information requests are seemingly the initial step of congressional investigations. The hospital industry has seen an increase in requests this year.

#### **Lesson Two: Leadership may be questioned.**

This month, Congress requested that the executive leadership of seven of the largest pharmaceutical companies testify in a congressional hearing. These companies included, AbbVie, AstraZeneca, Bristol-

Myers Squibb, Johnson & Johnson, Merck & Co., Pfizer and Sanofi. Each of these executives were [questioned by Senators](#) directly under oath.

### **Lesson Three: Legislation will follow.**

The anticipated outcome of the myriad of Congressional hearings is that the findings will lay the groundwork for legislation that will disrupt manufacturers pricing structure and curb drug prices. House Democrats are [expected](#) to begin considering drug pricing legislation as early as next week.



### **Grassley Renews Investigation on Tax-Exempt Hospitals**

Senator Chuck Grassley (R-IA) recently sent a [letter](#) to the Internal Revenue Service (IRS) inquiring about tax-exempt hospitals' compliance with the Affordable Care Act's community benefit requirements. "Making sure that tax-exempt hospitals abide by their community benefit standards is a very important issue for me," Grassley writes in the letter. Indeed, Grassley's scrutiny of tax-exempt hospitals has spanned over a decade and is likely to intensify now that he is back as Chairman of the Senate Finance Committee. What may happen next? Read more to find out.

In 2005, during his prior chairmanship of the committee, Grassley [wrote](#) to 10 hospitals requesting detailed information on their charitable activities. While Grassley's recent letter is addressed to the IRS and its oversight of tax-exempt hospitals, his next inquiry will likely be directed toward hospitals. In his letter, Grassley raises concerns about some tax-exempt hospitals cutting charity care despite "increased revenue." He also seeks information about hospitals engaged in debt-collection practices for patients that qualify for financial assistance. Therefore, we can anticipate future inquiries to focus on the amount of charity care that tax-exempt hospitals provide in comparison to their revenue, and the current debt-collection practices of such hospitals.



## **Good Choices Ahead: Incentivizing Positive Patient Decisions**

As health care continues to trend toward consumer-centric care, behavioral economics are increasingly being used to drive positive patient choices. Public health research has shown that [positive rewards](#) are more effective in guiding patient behavior than penalties. Lawmakers, providers and private payers continue to explore the strategic use of rewards as a way to curb cost and increase community wellness. Some ideas, like new private insurance legislation, could result in significant policy changes. [Read More](#) about three creative initiatives seeking to empower patients and incentivize good choices.

### **Wellth**

A Brooklyn-based team of care providers, engineers and scientists has launched a software company seeking to incentivize healthy choices among chronic disease patients. Cleverly-titled “[Wellth](#),” the software rewards patients financially for adhering to their care plans—and it works. The company’s rate of medical adherence is 90%, nearly double the national baseline.

### **Insurance Legislation**

In Florida, insurers are teaming up with lawmakers to encourage patients to seek less costly settings of care. [New state bills](#) would allow (but not require) insurers to share the savings with patients when they are savvy health care shoppers. Governor DeSantis supports the idea: “What we are trying to do is align the incentives in a way so that patient behavior benefits the patient when they make good decisions.”

### **Aetna & Apple**

Long-time collaborators Aetna and Apple have launched [Attain](#), a new joint app that uses Apple Watch data to promote healthy behaviors in enrollees. Meeting personalized health care goals earn rewards at popular retailers, but patients aren’t the only winners. Aetna gets more robust health data on their patient population, while Apple can use it to strengthen its foray into the health arena.



## A Look at the Federal Register

**Veterans Community Care Program.** The Department of Veterans Affairs (VA) released a [proposed rule](#) that creates the Veterans Community Care Program, which is intended to replace the Veterans Choice Program. The rule establishes criteria that would allow eligible veterans to receive necessary hospital care, medical services, and extended care services from non-VA entities or providers in the community. To qualify veterans must meet at least one of the six criteria outlined in the rule. **Comments on the rule are due March 25<sup>th</sup>.**

### IN OTHER NEWS

[Six Key Takeaways from the Michael Cohen Hearing](#) – WSJ

[Federal Appeals Court Stalls CSR Lawsuit Settlement](#) – Modern Healthcare

[Medicare Trims Payments to 800 Hospitals, Citing Patient Safety Incidents](#) – KHN

[Amazon Appoints 14-Year Vet to Run Its Pharmacy Initiative](#) – CNBC

[FDA Commissioner Scott Gottlieb to Step Down](#) – Politico

[Protecting the Health and Safety of all Americans](#) – CMS

[Empowering Patients and Unleashing Innovation: eMedicare for Today and Future Generations](#) – CMS

[Nursing Homes are Closing Across Rural America, Scattering Residents](#) – NYT