Policy Brief

February 23, 2018

Azar on Tour: MIPS, Physician-Owned Hospitals, Insurance and More

Newly-minted Secretary of Health and Human Services (HHS) Alex Azar has had a busy past week, testifying at three separate congressional hearings. Despite a few cryptic answers, Azar did leave some further clues about his leadership leanings.

Interested in Scrapping MIPS Reporting under MACRA

Azar stated that he would like to eliminate, or greatly reduce, physician reporting requirements for the Merit-based Incentive Payment System (MIPS). At the Senate Finance Committee, Azar remarked that its elimination would allow HHS to "independently look at data [to determine] compliance with the quality programs rather than [physicians] having to report anything." The Medicare Payment Advisory Commission (MedPAC) provided a similar recommendation to Congress earlier this year, recommending instead the Voluntary Value Program. Although a repeal of MIPS would only be possible through legislative action, we may see further changes to the program this year through rule-making.

Supporting Physician-Owned Hospitals

Before the House Ways and Means Committee, Azar expressed support for physician-owned hospitals, which are currently under a moratorium. In Azar's words, "many physician-owned hospitals provide superb quality care; we ought to be inspiring competition among providers." This may lead to future efforts to either eliminate or weaken current restrictions on physician-owned hospitals.

Allowing Skimpier Insurance Plans

At multiple hearings, Azar was pressed on how he would handle Blue Cross of Idaho's plans to offer less comprehensive health insurance coverage that does not comply with the Affordable Care Act's requirements. Azar remained vague throughout the week's hearings on any action plan to limit these skimpier plans but promised to evaluate each carefully by "the standards of the law."

Lowering Drug Pricing

Azar also restated his dedication to lowering drug prices. When questioned by both Democratic and Republican senators, Azar stated his support of the drug pricing proposals included in the Trump budget request. Uncertainty remains on the effectiveness of the budget request's policies in actually lowering the cost of prescription drugs.

Consumer Market Driving Price Transparency Discussions

Price transparency is back in the spotlight in 2018 due to the convergence of a few key factors: a rise in high deductible health plans, the elimination of cost-sharing reduction payments, and the continued push for a consumer-driven market. These factors have made consumers more price sensitive, which the media is increasingly picking up on. Below are the stories unfolding:

- Patients are paying the difference when there is a disagreement between providers and insurers on the price of services.
- The Media is asking readers for medical bills to show the variability in facility fees.
- Patients are surprised by the cost of services that far exceed the market price.
- Insurance companies are denying procedures they deem as unnecessary.
- Patients are more likely to pay for services if given an accurate estimate upfront.

Key Takeaways from President Trump's Health Care Budget

The President released his recommended budget for FY 2019, which included several provisions impacting health care. The President's budget is not a formal piece of legislation, so it's unlikely that Congress would pass the proposal as it stands today. However, the President's budget is still an important document because it gives Congress and the public an indication of the Administration's priorities. Below is an overview of the health care provisions included.

Department of Health and Human Services

- Provides $10 billion to address opioid addiction crisis.
- Eliminates the Agency for Healthcare Research and Quality, which evaluates best health care practices. (This is the second time the Administration proposed this elimination.)
- Defunds the Community Services Block Grant, which amounts to a decrease of $700 million in grants for health care, food and workforce development programs.

Medicaid

- Cuts $675 billion in federal spending on Medicaid by 2028.
- Authorizes state Medicaid programs to establish drug formularies (the list of covered prescription drugs available to recipients).
- Allows states to directly negotiate pricing with drug manufacturers.
- Permits asset testing (including property and personal belongings), in the calculation of income for Medicaid eligibility.
- Allows the denial of Medicaid benefits based on immigration status.

Medicare

- Reduces the overall Medicare budget by $236 billion over 10 years.
- Requires Medicare Part D plans to share a portion of the rebates with the beneficiary at the pharmacy point of sale.
- Allows Medicare Part D plans to negotiate drug formularies, giving them additional leverage in negotiating lower pricing from drug manufacturers.

- Establishes an out of pocket maximum for Medicare recipients, so that they wouldn't have to pay above a certain amount for prescriptions.

Department of Agriculture

- Cuts the Supplemental Nutrition Assistance Program (SNAP) by $17.2 billion in 2019 and by $213.5 billion over the next 10 years.
- Reduces the amount of money delivered through debit cards. Instead, recipients would receive a box of non-perishable food delivered to their door-step.

Hospital Outpatient Provider-Based Departments

- Reduces the amount Medicare pays to all hospital-owned medical facilities by $33.9 billion over 10 years.
- Removes the existing grandfathered exemption, so that all off-campus Hospital Outpatient Provider-Based Departments (HOPDs) are reimbursed under the Physician Fee Schedule. This is a lower reimbursement rate. Currently, grandfathered HOPDs are reimbursed under the Outpatient Prospective Payment System (OPPS) and receive a provider-based fee.

Graduate Medical Education

- Reduces overall federal funding to the Graduate Medical Education (GME) and Children's Graduate Medical Education (CHGME) programs by $48 billion over a decade.
- Merges existing GME programs into one grant program that receives a combined payment from Medicare and Medicaid.

A Look at the Federal Register

Proposed Rule to allow Americans to buy short-term insurance for up to 364 days. The Trump Administration recently released a proposed rule to allow insurance companies to sell plans lasting up to 364 days. Currently, short-term plans are only provided for a period of up to three months. This is due to short-term plans being exempt from the Affordable Care Act's (ACA) consumer protections. Short-term plans can deny people insurance based on their medical history and offer skimpier plans that lack essential services such as hospitalization coverage. Because short-term plans are cheaper, the Trump Administration projects that between 100,000 and 200,000 individuals now in the ACA's Health Insurance Exchanges will opt for short-term plans in 2019. That could leave behind an older

and sicker population in the Health Insurance Exchanges, making care costlier for everyone. The proposed rule can be found here.