

# Physician/Hospital Quarterly Report—Q4

## Table of Contents

1. Key Findings
2. Industry News
  - Hospitals
  - Physician Practices
3. Government/  
Regulatory
  - Ohio
  - U.S.
4. Transactions

## 1. Key Findings

- **ACA** enrollment reached 11.3 million by the end of the third open-enrollment period, surpassing HHS expectations. Three-quarters of the enrollees were from the 38 states that use the healthcare.gov enrollment platform.
- **Ohio's Medicaid spending** was \$23.5 billion, nearly \$2 billion less than expected for the fiscal year that ended in June, despite expansion of the program.
- **Medicaid expansion** reduced uninsured hospital stays, due to increased access to physicians and cost-related barriers to care being cut down.
- The **FTC** appears to be paying added attention to large **hospital mergers** after attempting to block a trio of proposals in Illinois, Pennsylvania and West Virginia. The regulator argued the proposed mergers would create a dominant provider of general acute care inpatient services in the local markets.
- Despite high-profile **cyberattacks**, the U.S. healthcare industry still falls short on adequate data protection. In 2016, hackers may seek to capitalize by releasing ransomware for medical devices and wearables.
- Health insurers selling Medicare Advantage plans can expect larger pay bumps in 2017. The CMS released a key metric for 2017 **Medicare Advantage payment rates** showing the Medicare fee-for-service baseline rate will increase by 3.1% in 2017.

## 2. Industry News

### Hospitals

- Researchers [found](#) that **Medicaid expansion** significantly reduced uninsured hospital stays in 2014, due to increased access to physicians and cost-related barriers to care being cut down, with the largest effects occurring in the 29 states that expanded Medicare by the first quarter of 2015.
- At \$23.5 billion, Ohio's total **Medicaid spending** was nearly \$2 billion (7.6%) [less than expected](#) for the fiscal year that ended in June, despite more newly eligible enrollees under an expansion of the program.
- The **HHS** [reported](#) that **improved patient safety** saved 87,000 lives, nearly \$20 billion and reduced hospital-acquired conditions across the U.S. by 17% from 2010 to 2014. Patients also experienced 2.1 million fewer hospital-acquired conditions during the studied period.
- **Premier Health** and **Humana** teamed up on a Medicare Advantage initiative and are partnering on a [value-based agreement](#), giving Humana's Medicare Advantage members in southwest Ohio access to Premier Health's facilities and physicians.
- Ohio State University's **Wexner Medical Center** [affiliated](#) with **Hocking Valley Community Hospital**. Hocking Valley remains independent, but will work with Ohio State to develop care options to keep patients closer to home.
- Lakewood city council reached an agreement with the **Cleveland Clinic** and the **Lakewood Hospital Association** that would see the hospital [end](#) inpatient services on Feb. 5 and construction of a \$34-million family health center will begin in the fall of 2016.
- Several healthcare systems are increasingly [selling](#) health insurance plans. Such **“provider-led plans”** can be popular with consumers, but analysts say it remains to be seen how many will succeed long-term as insurers. Many health systems have long sponsored insurance plans, including **Kaiser Permanente**, **Geisinger Health System** and **Intermountain Healthcare**.

### Physician Practices

- A Health Care Incentives Improvement Institute Report Card [found](#) most states received a failing grade for providing information to consumers on the quality of physician care for the third year in a row. Although it passed, **Ohio** received a D in the report.
- An AMA [report](#) assessed physician participation in medical homes and Medicare ACOs. More than half of physicians are using **alternative payment models**. It also found that: participation in medical homes and ACOs varies with practice type; many physicians are unaware if they are part of a medical home or ACO; and ownership structure plays a role in practices that are part of a medical home or ACO.
- **Telemedicine** is [failing](#) to reach its full potential, largely due to restrictive policies in some states that make it difficult to practice and pay for, such as requiring patients be accompanied by a health professional during sessions and some states, including Ohio, that limit Medicaid coverage to patients who live a minimum distance from providers.

### 3. Government/Regulatory

#### Ohio

- Thirteen states, including Ohio, New York and California, [reached agreements](#) with CMS under the ACA to develop programs that would improve care for **dual-eligible patients** while saving the health system money, in part by keeping more people out of nursing homes.
- A total of 758 hospitals across the U.S. [faced penalties](#) under the **Hospital-Acquired Condition** (HAC) Reduction Program. CMS reduces Medicare payments by 1% for hospitals ranked in the worst-performing quartile of those receiving HAC scores, which for fiscal year 2016 included seven facilities in Northeastern Ohio. This is the second year for the HAC program after 724 hospitals were penalized in fiscal year 2015. Approximately half of those penalized so far in 2016 are repeat-offenders.
- City of Cleveland and hospital officials [announced](#) that **emergency rooms** in the city would start accepting all patients transported by **ambulances**, regardless of traffic volumes, by Feb. 15, 2016. The agreement makes Cleveland one of the few U.S. cities where hospitals don't close ERs to incoming ambulance traffic.
- A **computer coding error** caused about 4,200 random physicians and other healthcare providers in Ohio to be notified they had been [dropped](#) from the state's Medicaid program. Medicaid officials contacted the affected providers to inform them of the error.

#### U.S.

- The **FTC** increased its focus on large **hospital mergers** after [attempting to block](#) a trio of proposals in Illinois, Pennsylvania and West Virginia. The regulator argued the proposed mergers would create a dominant provider of general acute care inpatient services in the local markets, which it said would lead to increased healthcare costs and reduced quality of care.
- Health insurers selling Medicare Advantage plans can expect larger pay bumps in 2017. The CMS [released](#) a key metric for 2017 **Medicare Advantage payment rates** showing the Medicare fee-for-service baseline rate, which measures traditional Medicare spending, will increase by 3.1% in 2017.
- The **HHS** released [proposals](#) aimed at reducing Medicare drug expenditures by cutting payments to hospitals that purchase pharmaceuticals under the federal 340B discount program.
- Beginning in 2016, health insurers can [incur fines](#) for inaccurate Medicare **physician directories** that include non-Medicare providers. New regulations allow CMS to fine insurers up to \$25,000 per Medicare beneficiary for errors in Medicare Advantage plan directories and up to \$100 per beneficiary for mistakes in plans sold on HealthCare.gov.

## 4. Transactions

- Akron, Ohio-based **Summa Health** and Cincinnati-based **Mercy Health** [agreed](#) to invest \$100 million over three years to form a “network of networks” called Advanced Health Select. The clinically integrated network will be the largest in Ohio and will aim to improve chronic care management, reduce costs and shift to a value-based system.
- **Medical Advantage Group** and the **Ohio State Medical Association** [formed](#) a partnership to collaborate on optimal practice models, population management, electronic medical records and better patient engagement.
- **Cleveland Clinic** [assumed](#) full ownership of **Akron General Health System**. Cleveland Clinic became a minority owner of Akron General in a 2014 agreement, then exercised an option to take on full ownership in 2015. Akron General’s EMR will be replaced with an Epic system as part of the deal.
- **Summa Health** [formed](#) an accountable care agreement with **Humana** designed to coordinate care for the insurer’s 55,000 Medicare Advantage members in Northeast Ohio.
- **Anthem Blue Cross and Blue Shield** and **Kettering Health Network** [launched](#) BCBS’ Enhanced Personal Health Care program at Kettering-owned practices in Ohio. The program is a patient-centered care model offering providers value-based compensation and Kettering-owned practices are eligible to share savings if they meet quality benchmarks.
- **Mercy Health-Cincinnati** acquired **Cardiac, Vascular & Thoracic Surgeons** for an undisclosed amount. One of the Cincinnati area’s largest physician groups, CTVS’ 10 surgical specialists join Mercy Health Physicians, bringing it to 318 physicians in total.
- **DeAngelis Diamond Healthcare** was [awarded](#) a \$12.9-million contract to build an adult psychiatry facility in Columbus and the general contractor started construction on the 43,000-square-foot, 40-bed adult psychiatry addition to the **Ohio Hospital for Psychiatry**. The facility will provide services to patients suffering from depression, bipolar disorder, addiction, cognitive disorders and other mental health issues.
- **HealthSouth Corporation** and **Mount Carmel Health System** signed an [agreement](#) to build an inpatient rehabilitation hospital in Westerville, Ohio. The 60-bed hospital will be a joint venture and provide specialized rehabilitative care to patients who have experienced stroke, trauma, brain and orthopedic injuries or other major illnesses or injuries. Construction on the 60,000-square-foot hospital is expected to be completed by Q1 2017.
- Ten groups with more than 200 physicians in total [joined](#) the **Independent Physicians Collaborative**, which eight groups in the Cincinnati area founded in January 2015. The collaborative now includes 439 physicians and 3,480 full-time employees.
- **Goold Health Systems**, a healthcare management company focusing on Medicaid services, was [selected](#) as Ohio’s **Pharmacy Benefit Manager** to provide the Ohio Department of Medicaid with pharmacy claims adjudication, prior authorizations, rebate management, preferred drug list and related clinical pharmacy services. The contract’s initial term runs through June 30, 2017, with three additional two-year renewal options.