State

**Dr. Ronald A. Paulus, MD, Named Top 50 Most Influential Physician Executives and Leaders**

Dr. Ronald A. Paulus, MD, President and CEO of Mission Health, has been named one of the nation’s “Top 50 Most Influential Physician Executives and Leaders” by Modern Healthcare. The publication honors physicians working in the health care industry who are deemed by their peers and an expert panel to be the most influential in areas of leadership and impact. Dr. Paulus introduced a program to improve patient outcomes and its patient satisfaction rate has improved dramatically.

**NC General Assembly Returns to Work**

Lawmakers from across the state return to Raleigh on May 14 to convene the 2014 legislative session. Commonly referred to as “short session,” even-year legislative sessions are designed to make tweaks to the state budget and usually only last for a couple of months. Only legislation that is appropriations related, has been referred by an interim committee or has previously passed one chamber may be considered.

Below is a brief summary of key issues expected to be considered during the 2014 session:

**Budget:** Lawmakers will spend the majority of their time during the short session making necessary adjustments to the 2014-2015 state budget. With current revenue projections showing a potential budget shortfall in excess of $445 million and legislators in need of additional revenue to provide for promised teacher pay raises, spending reductions seem imminent.

**Pay increases:** Republican leaders, who control solid majorities in both the Senate and House, continue to pledge their support for raising salaries for teachers and state employees. Gov. Pat McCrory has already introduced a bill that would provide a $1,000 pay increase for state employees and raise pay for veteran teachers by 2 to 4 percent. In addition, the Governor’s plan would increase the minimum salary for early-career teachers from $30,800 to $33,000. It is unclear whether the General Assembly will accept the Governor’s plan or propose an alternate version. Any pay increase proposal would need approval from both legislative chambers.
Medicaid reform: Despite months of work on the issue and support for the plan from doctors and hospitals, enthusiasm for the McCrory administration proposal to create "accountable care organizations" remains lukewarm, particularly in the Senate. It is unclear whether a Medicaid reform package will gain traction this session with some key lawmakers now preferring to move the issue to the 2015 session.

Coal ash clean-up: It is expected that some form of legislation will be approved during the short session addressing coal ash clean-up in North Carolina. When Duke Energy spilled a massive amount of coal ash and wastewater into the Dan River this winter, there was an immediate cry for tougher regulation for the storage of material, and elected leaders seem to have been listening. Gov. McCrory has released a detailed, 16-page proposal that would give the state broader authority over coal ash disposal, closing some ponds but not others based on individual conditions. Spearheaded by Sen. Tom Apodaca, the General Assembly is currently working on more restrictive legislation that would define deadlines for the five most critical coal ash ponds to be moved and safely stored.

Fracking: Lawmakers eager to clear the way for shale gas exploration in North Carolina are planning to complete state laws governing the drilling technique known as hydraulic fracturing, or fracking. Advocates of energy exploration would like for the state to be in a position to start issuing drilling permits next spring. A bill has already been drafted and is likely to be introduced during the first couple of weeks of session.

Privilege Tax: Draft legislation that would place a $100 annual cap on the privilege license taxes that some cities and towns levy on businesses, while expanding the types of businesses that can be taxed, is one of a few tweaks to tax laws possible this session. The proposal was endorsed recently by the General Assembly’s Revenue Laws Study Committee. Currently, municipalities have latitude in how much they can tax businesses, leading to disparities in how the taxes are applied across the state.

Tillis to Challenge Hagen in the Fall
Current Speaker of the North Carolina House, Thom Tillis scored a decisive victory in the Republican Senate primary. Tillis easily garnered the needed 40 percent of the statewide vote to secure the nomination and avoid a July runoff. Tillis will now challenge Democrat incumbent Sen. Kay Hagen in the November general election. The North Carolina Senate race is seen as a pivotal contest in deciding what political party controls the U.S. Senate. Millions of dollars have already been spent by both parties and recent polls show the election to be in a dead heat.

Dr. Cummings Named as New Medicaid Director
The N.C. Department of Health and Human Services had chosen Dr. Robin Gary Cummings to be the new Medicaid director. Dr. Cummings will lead the efforts in revamping the state’s $13 billion Medicaid system. Cummings was tapped to lead the Division of Medical Assistance in February and will continue serving as state health director. Cummings joined DHHS in 2013 to lead the Office of Rural Health and Community Care. He previously was the medical director and
executive director for Community Care of the Sandhills. He is a board-certified general and cardiothoracic surgeon.

**Federal**

**New Government 340B Audit Report Smacks Hospitals**
More than 40 percent of hospitals using the 340B drug discount program were in violation of at least one major provision of the rules, according to an audit that was released by the Health Resources and Services Administration late Friday. The Health Resources and Services Administration (HRSA) audit was conducted during FY12. The audit showed that 42 percent were in violation of the Group Purchasing Organization prohibition; 36 percent were providing the 340B to ineligible persons; and 24 percent were incorrectly billing. HRSA is preparing a new regulatory framework for the 340B program that is expected to be released within the next few months. Click [here](#) for a copy of the HRSA audit summary.

Doctors, hospitals, insurers and lawmakers are pushing back against drug costs in the U.S. Click [here](#) for the story.

**HHS: Hospitals Making Great Progress on Quality Outcomes**
Efforts to reduce adverse drug events, falls, infections and other complications prevented nearly 15,000 hospital deaths and saved more than $4 billion in costs in 2011 and 2012, according to data released last week by HHS. Incidence of hospital-acquired infections dropped from 145 per 1,000 discharges in 2010 to 132 per 1,000 discharges in 2012, resulting in 560,000 fewer occurrences in two years. From 2010 through Q4 2013, specific conditions also saw declines: Ventilator-associated pneumonia dropped 53.2 percent; early elective delivery declined 64.5 percent; obstetric trauma rate fell 15.8 percent; venous thromboembolic complications dropped 12.9 percent; falls and trauma declined 14.7 percent; and pressure ulcers fell 25.2 percent. The readmission rates among Medicare fee-for-service beneficiaries, which remained between 19 and 19.5 percent from 2007 to 2011, dropped to 18.5 percent in 2012, then to 17.5 in 2013, in part because of the Affordable Care Act, according to the data. This meant 150,000 fewer readmissions between January 2012 and December 2013. Click [here](#) for the six-page HHS report.

**New Final Rules Streamline Hospital Procedures, Save $660 Million Annually**
CMS released final regulations last week designed to streamline a variety of requirements for hospitals, Critical Access Hospitals, surgery centers, long term care facilities, organ procurement organizations and transplant centers. The new rules could save hospitals $660 million annually and $3.2 billion over five years, CMS estimated. For hospitals, CMS regulations would change Conditions of Participation regarding governance and medical staff requirements. Click [here](#) for our policy team's summary with links to the regulations.

**RAC Recoveries Cut in Half**
Medicare Recovery Audit Contractor recoveries fell from a high point of $1.4 billion in the last quarter of fiscal 2013 down to $665 million in the second quarter of 2014 after the two-midnights rule – and the subsequent enforcement delay – barred the contractors from looking into short hospital admissions, according to CMS data. Click here for the Q2 2014 CMS report. To compare, click here for the 4Q 2013 report.

**CMS Seeking Provider Input on Short Stay Inpatient Payment**
In its recently proposed FY15 IPPS regulation, CMS asked for input from the provider community on the issue of MS-DRG payment for short inpatient stays. Establishing Part A payment for short hospital stays is not a new concept. It has been proposed over the years as an alternative to the artificial distinction between inpatient and outpatient hospital care. Click here for an excellent summary of the issue.

**QIO Program Changes Announced by CMS**
CMS is making the Quality Improvement Organization Program more efficient and deliver better health care and patient outcomes. Two QIO contractors will take over the program’s review process to ensure that Medicare beneficiaries are receiving quality, patient-centered care, according to an announcement on Friday. In the next two months, CMS will take a second step, awarding contracts to organizations that will work to improve safety and care through data-driven, collaborative initiatives. Click here for details.

**4 Hospitals, 50 Docs Reach Stage 2 Meaningful Use**
The CMS announced at the HIT Policy Committee meeting last week that only 50 doctors and four hospitals have successfully reached Stage 2 meaningful use. The ONC noted that many Stage 2 objectives were satisfied by participants, but some functionalities had low adoption rates, including the one that requires participants to use EHR systems that will enable patients to easily access, download and send health records. Click here for a great summary of hospital EHR and Stage 2 functionality adoption to see how your organization compares with the national averages. Click here for the media report of the meeting.

**UnitedHealth Ranks Lowest among Hospitals for Trustworthiness**
Hospital executives appear to have little faith in health insurance companies, according to a 2014 ReviveHealth National Payer Survey. The survey, which included responses from 203 hospital and health system leaders between Jan. 21 and March 5, examined whether or not hospitals had agreeable relationships with their insurers. A low level of trust stems from many factors – the length of time it takes to get paid, narrow networks, changing provider contracts and the use of hospital “tiers”, the study found. Click here for the survey.

**Humana has $368 Million First Quarter Profit**
Humana’s first-quarter profit of $368 million beat analyst expectations but still dropped 22 percent from last year’s first quarter of $473 million, partly due to marketing expenses and investments related to new products. Humana also said it will add 435,000 people to Medicare Advantage plans this year. At the end of March, individual Medicare Advantage membership
toted 2,330,800, up 15.8 percent from the first quarter of 2013. Click [here](#) for their earnings report.

**WellCare Doubles First Quarter Profit**
WellCare Health Plans saw its first-quarter profit more than double from $21.5 million in 2013 to 44.1 million this year, the Tampa, Fla.-based insurer announced last week. Click [here](#) for details.

**Molina Net Income Drops from Year Ago**
Molina Healthcare added 133,000 new Medicaid expansion members during the first quarter of this year, the Long Beach, Calif.-based insurer announced last week. However, its 2014 first-quarter net income of $4.5 million fell way below the $29.9 million earned in the first quarter of 2013. Click [here](#) for more.

**HHS Secretary-Designate Burwell Pushes Transparency**
HHS Secretary nominee Sylvia Burwell testified last week in the Senate and is likely to be confirmed, as she continues to receive bi-partisan support. She used part of her testimony to underscore her support for continuing the push towards greater transparency and the further release of health care data. Click [here](#) for the story.

**Federal Exchanges Offer Better Bang for the Buck**
It costs an average of $647 in federal tax dollars to sign up each enrollee in the federal exchange, and an average of $1,503 to enroll each person in the 15 exchanges run by states and D.C., according to an analysis released last week. State exchange costs ranged from $758 per enrollee in California, to $23,899 in Hawaii. Click [here](#) for a state-by-state summary.

**85 Percent of Enrollees Get Federal Help**
Eighty-five percent of enrollees are receiving financial assistance, ranging from 16 percent in D.C. to 94 percent in Mississippi, according to new analysis from Avalere Health. The federal government could bear a large portion of the burden of premium increases in states that have high rates of subsidized consumers. Click [here](#) for the report.

**Most on Exchanges Paying Their Premiums**
Most of the people choosing health plans under the Affordable Care Act — about 80 percent — are paying their initial premiums as required for coverage to take effect, several large insurers said last week. Click [here](#) for the NY Times story.

**Profiteering Driving Medicaid Changes in NY State**
New York State's goal in moving to Medicaid managed care was savings, but the changes found managed care companies and service providers scrambling to enroll clients requiring minimal care, including residents of adult homes who could be brokered in bulk, an investigation by The New York Times found. Many frail people with greater needs were dropped, and providers jockeying for business bought, sold or steered cases according to the new system's calculus: the more enrollees, and the less spent on services, the more money the companies can keep. Click
here for the report.

Reports Conflict on Actual Health Care Spending Increases
The Bureau of Economic Analysis estimated that health care spending increased 10 percent in the last year, but a new study out from Altarum Institute's Center for Sustainable Health Spending finds the increase is just over 7 percent. Click here for their brief report. According to the Committee for a Responsible Federal Budget, there has been a $900 billion slowdown in health spending. Click here for their report.

Personal Health Care Spending for Seniors Growing Slowly
Personal health care spending per capita for the elderly grew 4.1 percent annually from 2002 to 2010, according to a report released last week by the CMS actuary. The spending includes hospital care, physician and clinical services, retail prescription drugs and the programs and payer for that care, including private health insurance, Medicare and Medicaid. Click here for the news report. Click here for the Health Affairs study (subscription required).

RAND's 10 New Recommendations to Curb Health Spending
More recommendations on how to reduce health care spending are coming from the RAND Corporation. This time, one of their senior economists outlines 10 proposals that will get you thinking - such as, buying out patients or allowing CMS to consider costs when making coverage decisions. Click here for their recommendations.

Study: RomneyCare Saved Lives
A new Harvard University study is the best evidence yet that expanding universal health coverage saves lives. Massachusetts' health insurance expansion has prevented 320 deaths per year since it began in 2006, the new research in the Annals of Internal Medicine shows. Researchers came to that finding by comparing death rates in Massachusetts to similar counties elsewhere in the United States that had not implemented a universal insurance program. Click here for the study. Click here for the report.

Fighting Intensifies between Local Drug Stores and PBMs
A long-time fight between the "local" drug stores and larger pharmacy companies is spilling out into the public. The Pharmaceutical Care Management Association has a new campaign to fight changes to Medicare’s prescription drug benefit. The ads call independent pharmacies out of touch — by proclaiming, “Community Drugstore Owners Shouldn’t Forget How the Other Half Lives.” Independent drug stores have pushed for eliminating preferred pharmacy networks, which the pharmacy benefit managers say could increase costs for low-income seniors. Click here to see their new ad.

Senator's Bill Would Pay Seniors to Complete Advanced Directives
U.S. Sen. Tom Coburn (R-OK) is trying to pass legislation before he retires at the end of the year that would pay seniors to write their advanced directives before they are unable to communicate. The bill would direct the government to pay seniors between $50 and $75 to complete their
directives online or manually. Click here for the story.

**CDC: Nearly 50 Percent of Disabled Get No Aerobic Activity**
Researchers from the CDC found that 47 percent of those with disabilities ages 18 to 64 get no aerobic physical activity. Another 22 percent exercise some but not enough. The significant number of individuals with disabilities who are inactive is particularly alarming, researchers said, because they found this group is 50 percent more likely to report having a chronic condition like cancer, diabetes, stroke or heart disease. Click here for the CDC report. Click here for more.

**Health Experts Hopeful for a Reduction in Health Disparities**
Newly insured Americans have the opportunity to get vaccinations and preventive care tests that they previously couldn't afford. The Affordable Care Act requires cost-free prevention services for most health plans, including private insurance plans, meaning no co-payments, deductibles or co-insurance payments. Many health policy experts believe this step alone will greatly reduce health disparities for minorities, the poor and the poorly educated. Click here for the story.

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