

# The Source Roundup: November 2018 Edition

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Happy November! We hope you are enjoying football season and preparing for turkey! In this edition of the Source Roundup, we cover five academic articles and reports from October. The topics this month include (1) the popularity of telemedicine for employers and employees, (2) an integrated health care system that combines ACO and bundled payment, (3) health spending growth in the coming years, (4) Maryland's new initiative reduced hospital utilization and costs, and (5) how to remedy recent generic drug price hikes.

## **Telemedicine Is More Widely Available, But Take-up Has Been Slow**

In their article [More employers are paying for telemedicine, but enrollee take-up has been relatively low](#) for the Kaiser Family Foundation, authors Matthew Rae and Cynthia Cox analyze a sample of health benefit claims to calculate the number of outpatient telemedicine appointments among people with large employer coverage. Telemedicine is the delivery of health services by providers at remote locations, such as through video conferencing or remote monitoring. Telemedicine may be able to improve access to medical care, especially in rural areas where people have to travel to see a physician. The authors reveal from a survey that large employers (5,000 employees or more) are more likely than smaller employers (50-199 employees) to cover telemedicine, and the number of large employers offering health plans that cover telemedicine has increased significantly from 2015 to 2018. However, the authors found that although there was a 48% increase from 2015 to 2016 in outpatient days with telemedicine visits, telemedicine represents less than 1% of the total outpatient visits and does not seem to be significantly replacing traditional in-person visits. The authors believe that telemedicine may promote less expenses and increased use of healthcare services, but in order to make a larger impact on access to care or overall health spending, more enrollees must take up the offered services.

While it appears the take-up rate has been relatively low in both urban and rural area enrollees in large employer coverage, the authors note that the data only includes information through 2016, so there is no robust evidence on whether telemedicine use has substantially increased in the past two years as more employers have started offering telemedicine coverage plans.

### **How ACOs and Bundled Payments Should Coexist in an Integrated Health Care System**

Accountable Care Organizations (ACOs) are formed of doctors, hospitals, and other health care providers who come together to provide coordinated high quality medical care to Medicare patients. Bundled payment models involve reimbursing health care providers on the basis of expected costs for clinically-defined episodes of care. In an article for NEJM Catalyst, [ACOs and Bundled Payments: How the Two Can and Should Coexist](#), Poonam L. Alaigh looks at whether the two programs are exclusive or have the potential to coexist. According to Alaigh, while both programs work well independently, integration of the programs can help achieve a more positive impact by bringing together primary care physicians and specialists for a more wholesome program. Specifically, ACO is needed to enhance primary care, while the bundled payment model is needed to improve specialty care, which Alaigh argues is essential to building a successful model of care, as they impact a significant portion of health care delivery, spending, and outcome. When a specialist-driven, acute care episode takes place and the patient is outside the bounds of primary care physician jurisdiction, the costs of treatment increase exponentially and incentives for primary care physicians and specialists are not aligned. In that case, bundled payments help “plug the gap” between maintaining health and wellness and the specialist-related episode. Alaigh cautions that integration of these two programs will require care to avoid duplicative effects. Challenges in terms of process and payment will rear their head when primary care and specialty care providers are treating the same patient. Alaigh suggests that the two programs be deployed complementary to each other to get the most out of value-based care program design and execution. She believes when integrated properly, ACOs and bundled payment systems are an opportunity for health care

providers as well as payers to work together to improve health care for patients and better manage costs.

### **Health Spending Expected to Grow Moderately Through 2026**

In their report for the Kaiser Family Foundation, [How Much is Health Spending Expected to Grow?](#), authors Rabah Kamal and Bradley Sawyer examine the way health spending in the United States has changed over time and project health spending in the future. The authors first look at overall health spending per capita, which started off high in the 1970s, at around 12%, and was at historically low levels starting in 2008 (under four percent). Levels started rising rapidly in 2014 due to more people having health insurance coverage under the Affordable Care Act. The authors project that while overall health care spending per capita is expected to ramp up due to growing healthcare and prescription drug costs, it should not reach the double digits of previous decades. The report then examines trends in prescription drug spending since the 1970s. Growth in prescription spending has slowed down in the past two years but is expected to pick up again sharply this year and even itself out through 2026. Finally, the authors turn to per capita out-of-pocket spending, which is now in the double-digits. The number has decreased in the last two decades, but is expected to pick up again at a moderate rate starting this year. Overall, the report indicates that based on the Centers for Medicare and Medicaid Services' projections of national health expenditures, health spending projections are now lower than previous projections.

### **Maryland Focuses on Primary Care to Reduce Hospital Utilization and Costs**

In their research article for Health Affairs, [The Maryland Health Enterprise Zone Initiative Reduced Hospital Cost and Utilization in Underserved Communities](#), Gaskin et al. examine a Maryland initiative, the Health Enterprise Zone Initiative, "designed to attract primary care providers to underserved communities and support community efforts to improve health behaviors." This initiative increased access to medical care and services that encourage healthy behaviors by providing,

among other health services, dental services, health education, and behavioral health care. The study found that the initiative resulted in a reduction of 18,562 inpatient stays from 2013-2016. Residents and health care providers noted that the initiative “enabled residents to adopt health behaviors and practices that improved their health outcomes” and provided patients with resources and education to manage their conditions. The authors conclude that access to preventative services and health education improved the patients’ health-seeking behavior, which in turn led to a significant decrease in their hospital use. This decrease in utilization generated a net cost savings to insurers and patients in the amount of \$168.4 million, which more than offset the \$15.1 million that the state spent on the initiative. The authors suggest that given the reductions in inpatient admissions and the associated cost savings, other states should consider investment in programs that mirrors Maryland’s.

### **How to Remedy Recent Generic Drug Price Hikes**

Joyce et al. examine recent increases in generic drug prices and changes in out-of-pocket spending for those drugs in their research article, [Generic Drug Price Hikes and Out-of-pocket Spending for Medicare Beneficiaries](#), for Health Affairs. Research shows that between 2008 and 2015, prices for generic drugs decreased by more than 70 percent, while prices for brand-name drugs increased by 164 percent. Some of the reasons generic drug prices fell include increased competition and innovations in the retail sector (i.e., Walmart’s \$4 generic program). More recently, however, prices for longtime generic drugs increased tenfold in a small time period. This can be attributed to large pharmaceutical companies purchasing the manufacturing rights to decades-old drugs that had very little competition. The authors suggest that to minimize this trend and offer the best prices to consumers, generic drug applications must be fast-tracked when there is limited competition in the market. Another approach is to allow “temporary importation of generic drugs from countries that follow drug safety standards comparable to those in the U.S.” The authors also suggest that the Federal Trade Commission should be stricter in their oversight of drug company mergers and takeovers to make sure that no price gouging or reduction in competition results from the deals.

That's all for this month's Roundup. As always, if you find articles or reports that you think should be included in the monthly Roundup, please [send](#) them our way. Enjoy your reading!