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Corrected Alert (See page 2 for details)

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## Healthcare Services

### DC Checks Indicate CMS May Delay Exchange Enrollment from Oct 1 Start – Announcement Could Come as Soon as Today - ALERT

Our checks with Washington contacts and recent comments from the Obama Administration indicate that CMS may delay the start of open enrollment on health exchanges from expected October 1 start, though plan info would still likely be released October 1 with our checks indicating an announcement could come as soon as today. A CMS official downplayed the significance of Oct 1 on a conference call with hospitals on Tuesday, according to a report in Inside Health Policy, reiterating that premium rates and other plan info will be available that day but notably omitting to specify whether people will be able to enroll yet. This follows other recent characterizations from administration officials of Oct 1 being a “soft launch.” Importantly, there does not appear to be any read as of yet into when exactly open enrollment would begin.

- **From a stock perspective**, any delay that lowers expectations for exchange enrollment in 2014 would be a clear short-term negative for hospital stocks. For managed care, WLP and HNT are the most significant players in exchanges, while the rest of the group is taking a more cautious, limited approach, and so a delay would not be meaningful.
- **While we do not have any insight on how long the delay could be**, if it is only a matter of weeks, it would be unlikely to significantly reduce initial enrollment potential, given that coverage does not begin until Jan 1 at the earliest and the open enrollment period lasts through March 31, 2014. The public awareness campaign on exchanges will not begin in earnest until October, and we also note that when Massachusetts implemented reform people typically took time to shop and had nearly a dozen “touches” with websites or call centers before enrolling in plans – so we would expect enrollment to be weighted toward the end of the year whether there is a delay or not. Most importantly, we believe that if there is a long delay the Obama Administration would likely consider extending the open enrollment period beyond March 31 given its clear incentive to drive as much coverage expansion as possible in 2014. This shift in open enrollment would allow more people to sign up when they actually expect to consume care – positive for hospitals but a modest negative for health plans in terms of heightened potential for adverse selection.

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**Corrected Alert:** We have corrected the open enrollment period end date to March 31, 2014.

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