

Avalere Health released the following observations on the Supreme Court’s decision regarding the Affordable Care Act (ACA):

“The Supreme Court found common ground in the fact that the requirement to purchase insurance was really framed as a tax. So while the conservatives don’t like the mandate and liberals aren’t bothered by it, the center of the court agreed that it is permissible to penalize consumers who don’t purchase insurance with financial penalties.

What this means for healthcare companies is that they can re-focus strategically on the business of preparing for the implementation of the law. Most have already gone well down that road strategically, investing in Medicaid, individual insurance lines, and regional consolidation.

Going forward, there will be further threats to the law from the Congress, and we will know in November how serious those threats will be,” said Dan Mendelson, CEO and founder of Avalere Health.

Below are specific observations by sector:

Health Plans

- Health plans will continue to pursue strategies that work under the law – a focus on Medicaid, expansion into individual insurance products, regional consolidation, and engagement with the care delivery system.
- Plans will have to make decisions and design exchange products in an environment of uncertainty, as many states have made few exchange implementation decisions.
- The outcome of the 2012 federal elections, as well as fiscal pressure in a deficit reduction environment, may still create opportunities to change certain aspects of ACA that adversely affect the insurance industry.
- Health plans, particularly those in the Medicaid managed care space, will need to monitor state decisions related to the expansion.

Providers

- Physicians will continue to feel financial pressure from ACA provisions such as Medicare reimbursement changes and payment and delivery reforms.
- Physicians and providers will shift full attention to Medicare physician payment (SGR) cuts and provider payment cuts scheduled to take effect under sequestration in January 2013.
- Hospitals will continue preparing for reform, including focus on cost efficiencies to manage payment cuts, payment and delivery reform, and coverage expansion.
- Physicians will see a greater volume of newly insured patients after 2014, though this may be tempered by the limitations the Court placed on the ACA’s Medicaid eligibility expansion provisions.
- The no cost-sharing requirement for preventive services will continue to increase demand for primary care and specific specialty services; demand for specialty care will be fully actualized due to increased coverage for those with pre-existing conditions.

Pharma/Life Sciences

- Manufacturers will maintain liability for increased Medicaid rebates and Medicare Part D coverage gap closure, and benefit from roughly 30 million new lives coming into the system.
- The limitations the Court placed on the ACA's Medicaid expansion may encourage some states to mount further challenge, but we do not expect a big diminution in the amount of Medicaid coverage envisioned under the law (16m new Medicaid lives).
- Manufacturers' focus on ACA implementation will shift to 2012 elections and deficit reduction negotiations.

Media Contact: Erica Garland (202) 745-5119

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