HEDGEYE

3Q 2019 Health Care Themes

Mind the Quads, the Analyst's Dilemma

July 16, 2019

Health Care

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Please submit questions* to

qa@hedgeye.com

*Answered at the end of the call

Health Care Position Monitor

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Best Ideas - Longs LONG		Price	Mkt Cap ($B)	Score	Trend	Tail
Active Longs						
ANTM	Anthem, Inc.	$ 306.85	$78.9B	(11.87)	✓	✓
THC	Tenet Healthcare Corporation	$ 19.43	$2.0B	(29.30)	✓	✓
AMN	AMN Healthcare Services, Inc.	$ 54.92	$2.6B	(2.93)	✓	---
ZBH	Zimmer Biomet Holdings, Inc.	$ 121.90	$25.0B	(16.53)	✓	✓
TDOC	Teladoc Health, Inc.	$ 71.34	$5.1B	(46.25)	✓	✓
Long Bias						
ILMN	Illumina, Inc.	$ 302.29	$44.4B	(8.73)	---	✓
HCA	HCA Healthcare Inc	$ 140.92	$48.2B	(6.80)	---	✓
UHS	Universal Health Services, Inc. Class B	$ 133.76	$11.1B	(8.77)	---	✓
MD	MEDNAX, Inc.	$ 23.89	$2.1B	(14.69)	---	✓
DGX	Quest Diagnostics Incorporated	$ 101.12	$13.6B	(12.01)	---	✓
LH	Laboratory Corporation of America Holdings	$ 174.60	$17.2B	(9.72)	---	✓
GWPH	GW Pharmaceuticals PLC Sponsored ADR	$ 167.66	$5.2B		---	✓

Best Ideas - Shorts SHORT		Price	Mkt Cap ($B)	Score	Trend	Tail
Active Shorts						
DVA	DaVita Inc.	$ 56.95	$9.5B	(12.92)	×	×
HQY	HealthEquity Inc	$ 70.36	$4.9B	(14.89)	×	×
DXCM	DexCom, Inc.	$ 151.11	$13.8B	(35.02)	×	×
MDRX	Allscripts Healthcare Solutions, Inc.	$ 11.44	$1.9B	(4.05)	×	×
SYK	Stryker Corporation	$ 205.49	$76.7B	(6.39)	×	×
Short Bias						
ABBV	AbbVie, Inc.	$ 70.27	$103.9B	(7.09)	---	---
MYGN	Myriad Genetics, Inc.	$ 26.06	$1.9B	(19.54)	---	---
EXAS	Exact Sciences Corporation	$ 116.19	$15.0B	(23.11)	---	---

Hedgeye's Bias represents Hedgeye's outlook on companies currently under Hedgeye's review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the Bias list and representation of a company on the Bias list does not forecast whether Hedgeye will or will not issue any additional material on that company.

Risk score is an expression of the difference between out performance and under performance in stock price based on Hedgeye machine learning algorithm techniques that calculate the score by factoring a number of Hedgeye selected data inputs.

Data Source: Hedgeye estimates, Factset

Real GDP Slowing

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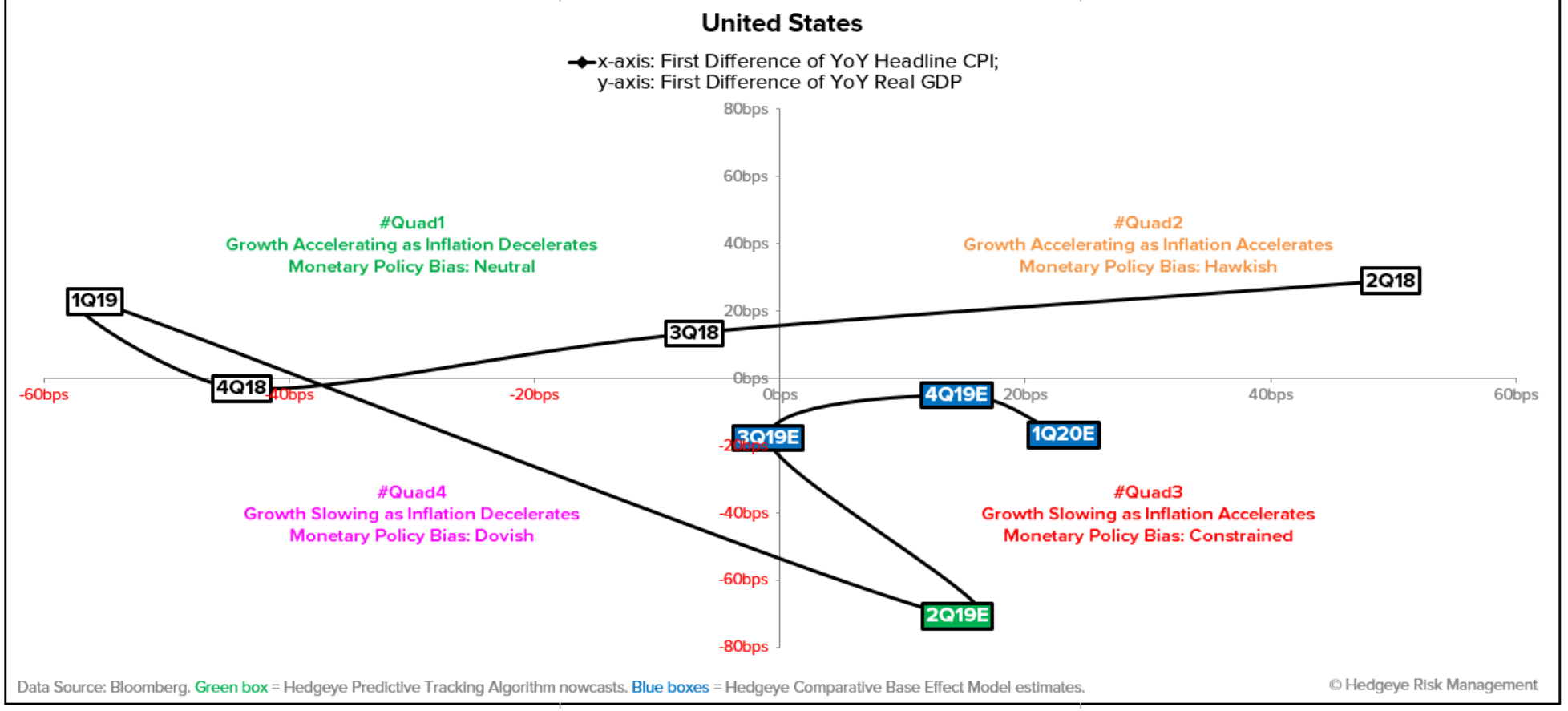
Steepening base effects for Real GDP puts the United States in Quad 3 and Quad 4

United States	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	← Actuals | Estimates →	2Q19E	3Q19E	4Q19E	1Q20E
Real GDP QoQ SAAR	2.30%	1.90%	1.80%	1.80%	3.00%	2.80%	2.30%	2.20%	4.20%	3.40%	2.20%	3.10%	Hedgeye Estimates	1.33%	2.61%	1.95%	2.43%
YoY Hurdle Rate	3.30%	1.00%	0.40%	1.50%	2.30%	1.90%	1.80%	1.80%	3.00%	2.80%	2.30%	2.20%	YoY Hurdle Rate	4.20%	3.40%	2.20%	3.10%
Real GDP YoY	1.30%	1.54%	1.88%	1.94%	2.11%	2.34%	2.47%	2.58%	2.87%	3.00%	2.97%	3.20%	Hedgeye Estimates	2.49%	2.31%	2.26%	2.09%
2Y Comparative Base Effect	2.99%	2.71%	2.35%	2.68%	2.33%	1.96%	1.94%	1.75%	1.71%	1.94%	2.18%	2.26%	2Y Comparative Base Effect	2.49%	2.67%	2.72%	2.89%
Headline CPI YoY	1.05%	1.12%	1.80%	2.54%	1.90%	1.97%	2.12%	2.21%	2.71%	2.64%	2.20%	1.64%	Headline CPI YoY	1.79%	1.78%	1.92%	2.15%
2Y Comparative Base Effect	1.01%	0.95%	0.86%	0.51%	0.50%	0.61%	1.13%	1.81%	1.48%	1.54%	1.96%	2.38%	2Y Comparative Base Effect	2.31%	2.30%	2.16%	1.93%



Data Source: Bloomberg. Green box = Hedgeye Predictive Tracking Algorithm nowcasts. Blue boxes = Hedgeye Comparative Base Effect Model estimates.

© Hedgeye Risk Management

Health Care Performance

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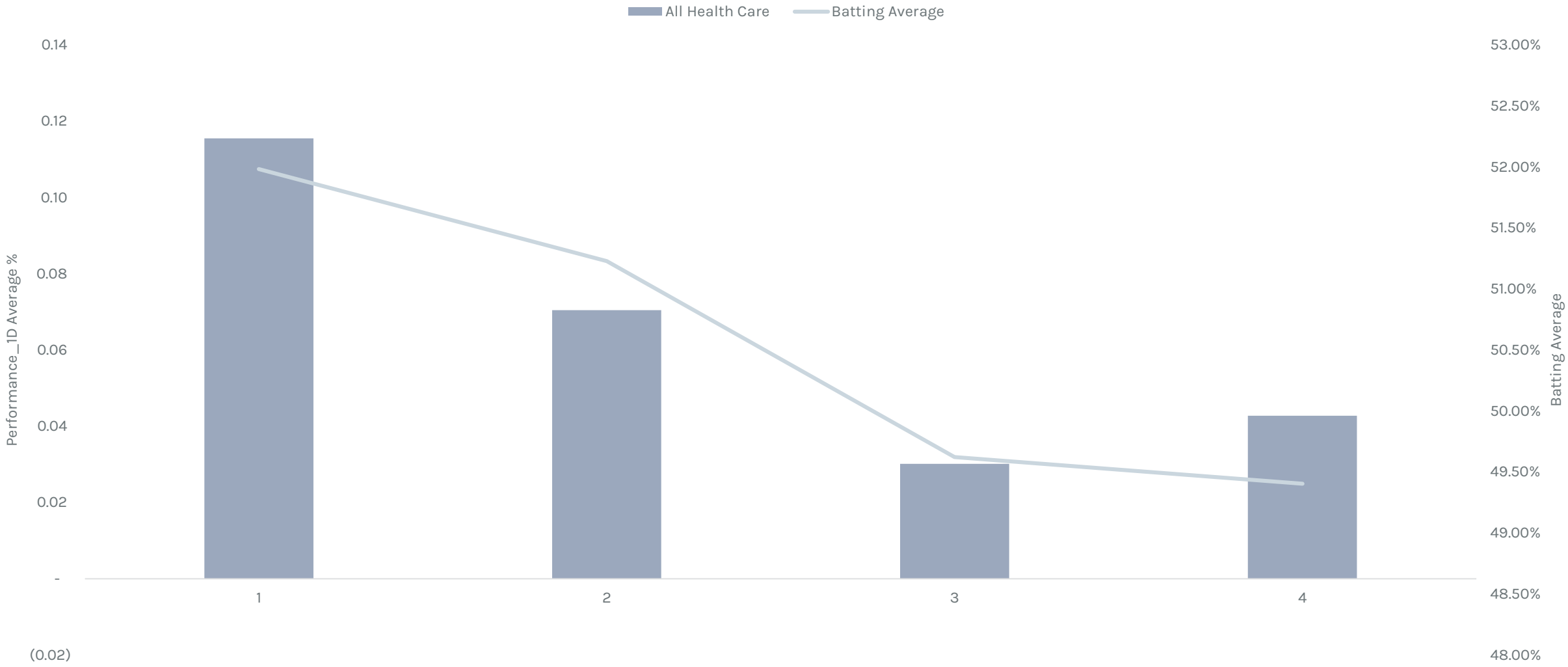
Health Care, broadly, performs well in Quads 1 and 2, less well in 3 and 4



Data Source: Factset, Hedgeye Estimates

Pharma-Biotech

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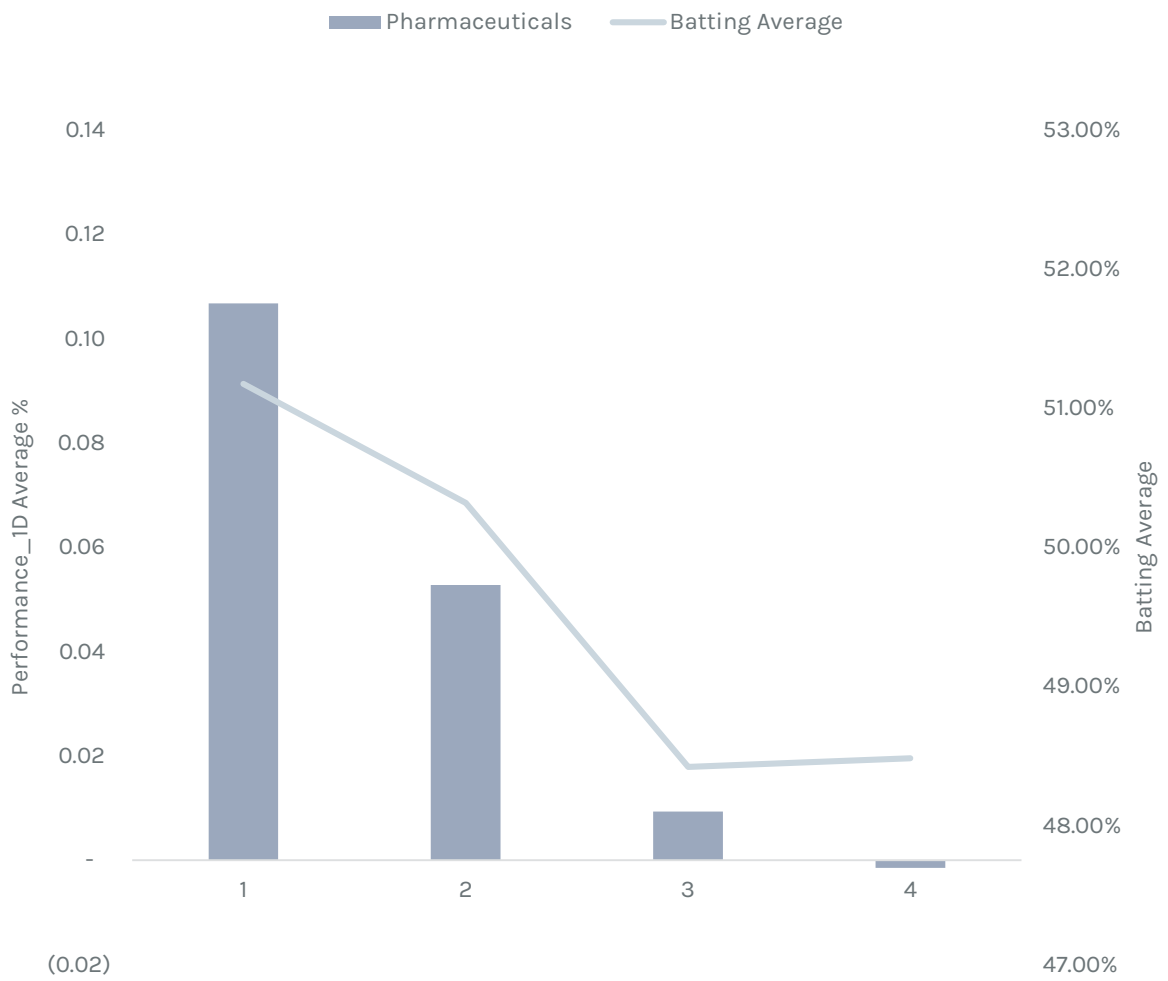
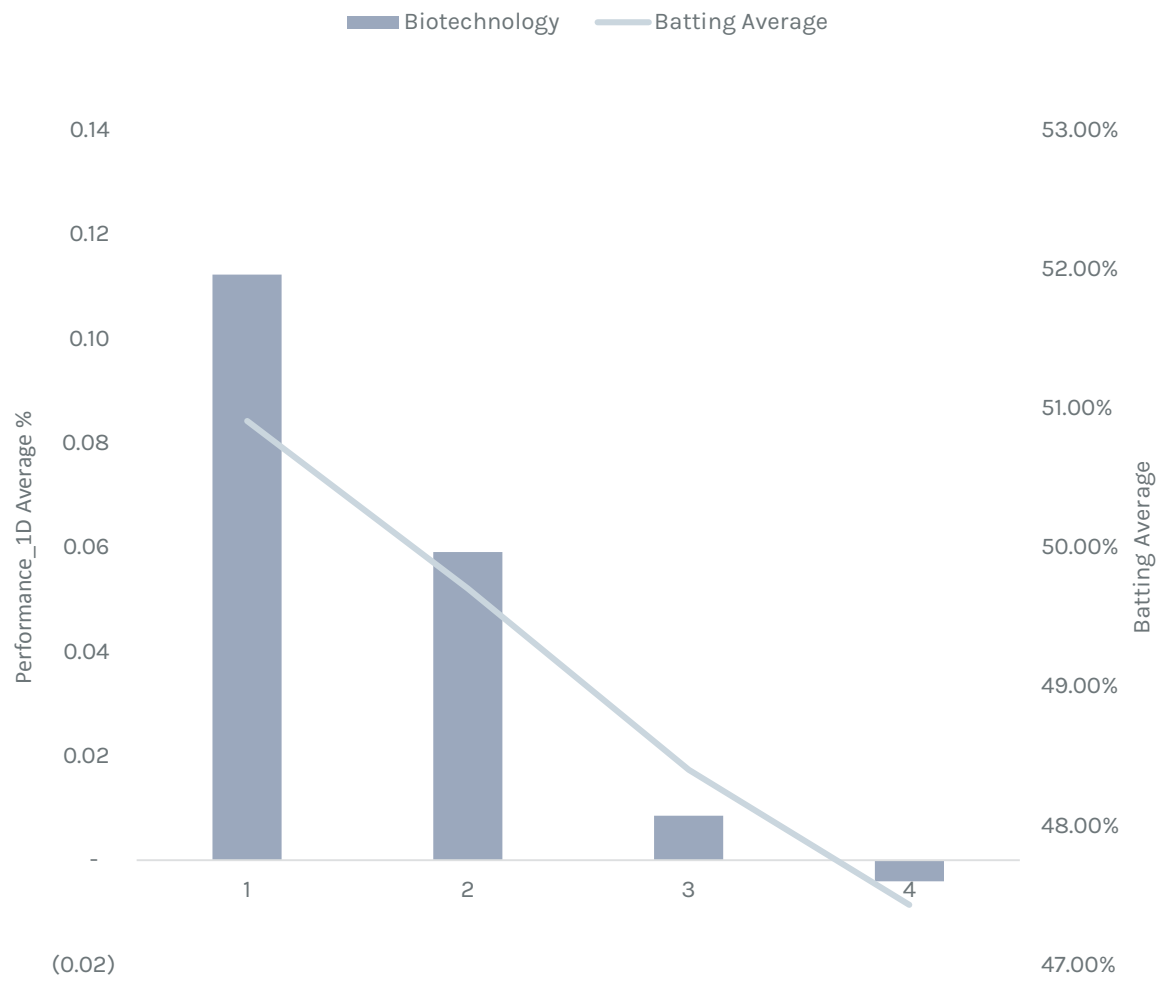
Speculative names perform less well in Quad 3 and Quad 4





Data Source: Factset, Hedgeye Estimates

Services and Med Tech

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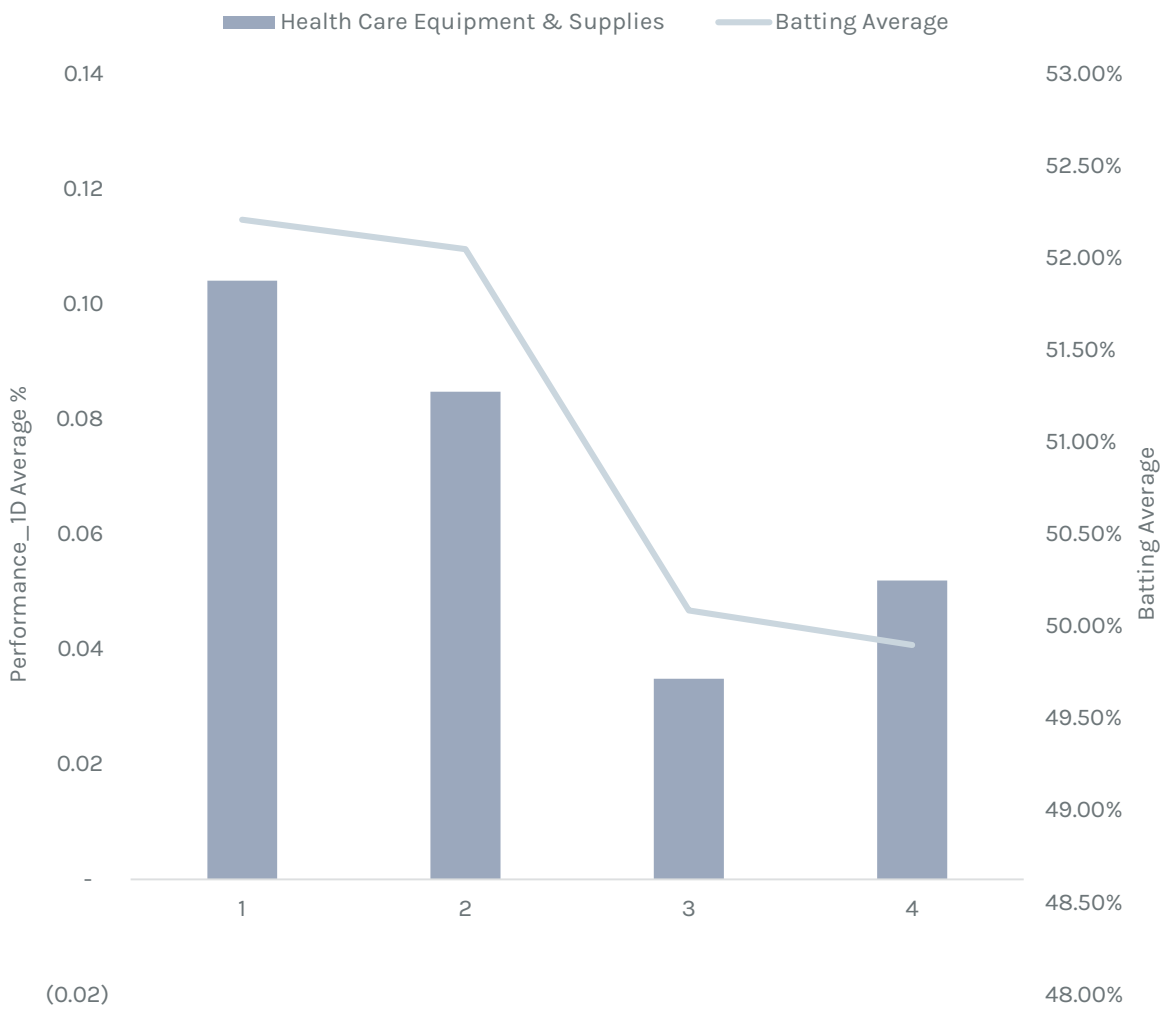
Defensive sector styles within Health Care hold up better



Data Source: Factset, Hedgeye Estimates

Performance by Macro Quad and GICS

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Overall, the Macro Quad makes it difficult to differentiate between GICS subsectors

			Performance_1D				Batting Average			
GICS	Count	All	1	2	3	4	1	2	3	4
All Health Care	171	0.07	0.12	0.07	0.03	0.04	51.98%	51.23%	49.62%	49.40%
Life Sciences Tools & Services	14	0.07	0.16	0.06	0.05	0.01	53.60%	52.40%	50.57%	49.50%
Biotechnology	26	0.05	0.11	0.06	0.01	(0.00)	50.91%	49.70%	48.40%	47.43%
Health Care Providers & Services	46	0.08	0.12	0.08	0.04	0.09	52.40%	51.50%	50.09%	50.34%
Health Care Equipment & Supplies	50	0.07	0.10	0.08	0.03	0.05	52.21%	52.05%	50.09%	49.90%
Pharmaceuticals	26	0.04	0.11	0.05	0.01	(0.00)	51.17%	50.32%	48.42%	48.48%
Health Care Technology	9	0.07	0.11	0.06	0.04	0.06	51.26%	50.20%	49.74%	49.38%

Data Source: Factset, Hedgeye Estimates

Style Factors

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Factor quartile and daily performance vs Macro Quads

We divided our Health Care universe by factor quartiles to measure the specific impact of a factor on daily performance. The results suggest strongly the Macro Quad dominates performance among this group of factors.

We are continuing to search for factors and combinations of factors that can meaningfully enhance fundamental analysis.

There is a positive signal for mid-cap in terms of enterprise value as well as positive revenue revisions.

Sellside Rating	1	2	3	4
Top Quartile	0.12	0.12	0.05	0.04
2nd Quartile	0.12	0.08	0.03	0.07
3rd Quartile	0.12	0.06	0.02	0.04
Bottom Quartile	0.09	0.05	0.03	0.01

Short interest				
Top Quartile	0.11	0.08	0.02	0.02
2nd Quartile	0.11	0.08	0.04	0.05
3rd Quartile	0.13	0.08	0.04	0.06
Bottom Quartile	0.12	0.06	0.03	0.05

Enterprise Value				
Top Quartile	0.13	0.06	0.03	0.04
2nd Quartile	0.13	0.10	0.05	0.06
3rd Quartile	0.12	0.09	0.05	0.09
Bottom Quartile	0.08	0.02	0.00	-0.01

Revenue Revision				
Top Quartile	0.14	0.14	0.06	0.09
2nd Quartile	0.14	0.07	0.04	0.05
3rd Quartile	0.12	0.06	0.01	0.04
Bottom Quartile	0.07	0.03	0.02	0.02

Data Source: Factset, Hedgeye Estimates

Revenue Revision Trend by Macro Quad

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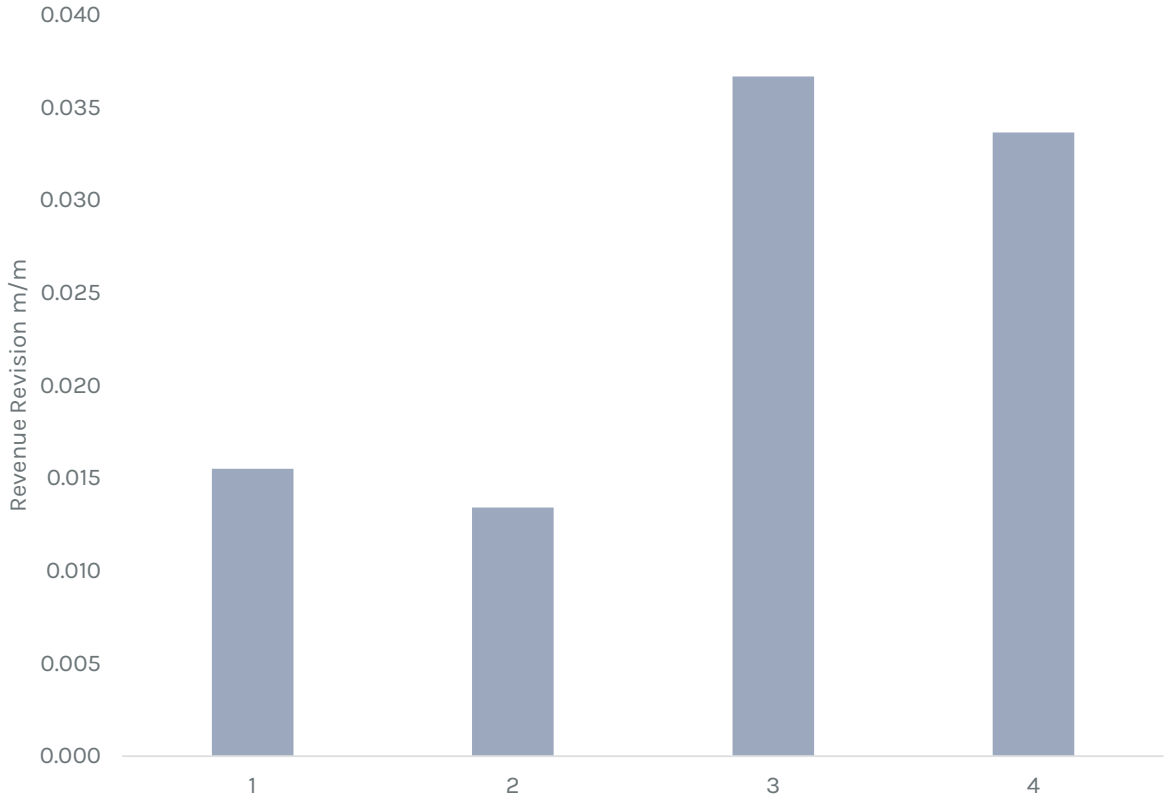

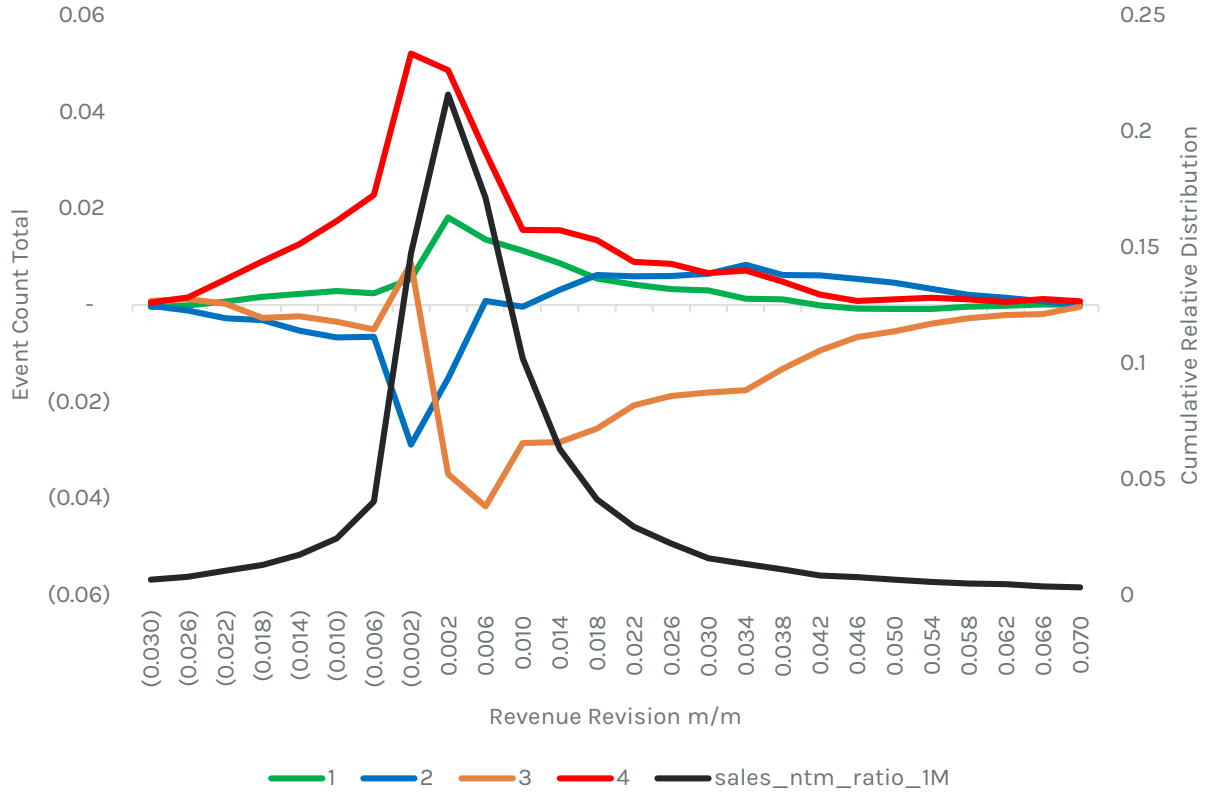

The factor "sales_ntm_ratio_1M" refers to the daily calculation of the month over month ratio of consensus' next 12 month revenue estimate. The results were first averaged by Macro Quad. We then calculated the cumulative relative distribution for each Macro Quad result. While the sales revisions are typically more positive in Quad 3 and Quad 4, the relative cumulative distribution illustrates the large percentage of declinations in Quad 4.

Data Source: Factset, Hedgeye Estimates

Change in EV/Sales by Macro Quad

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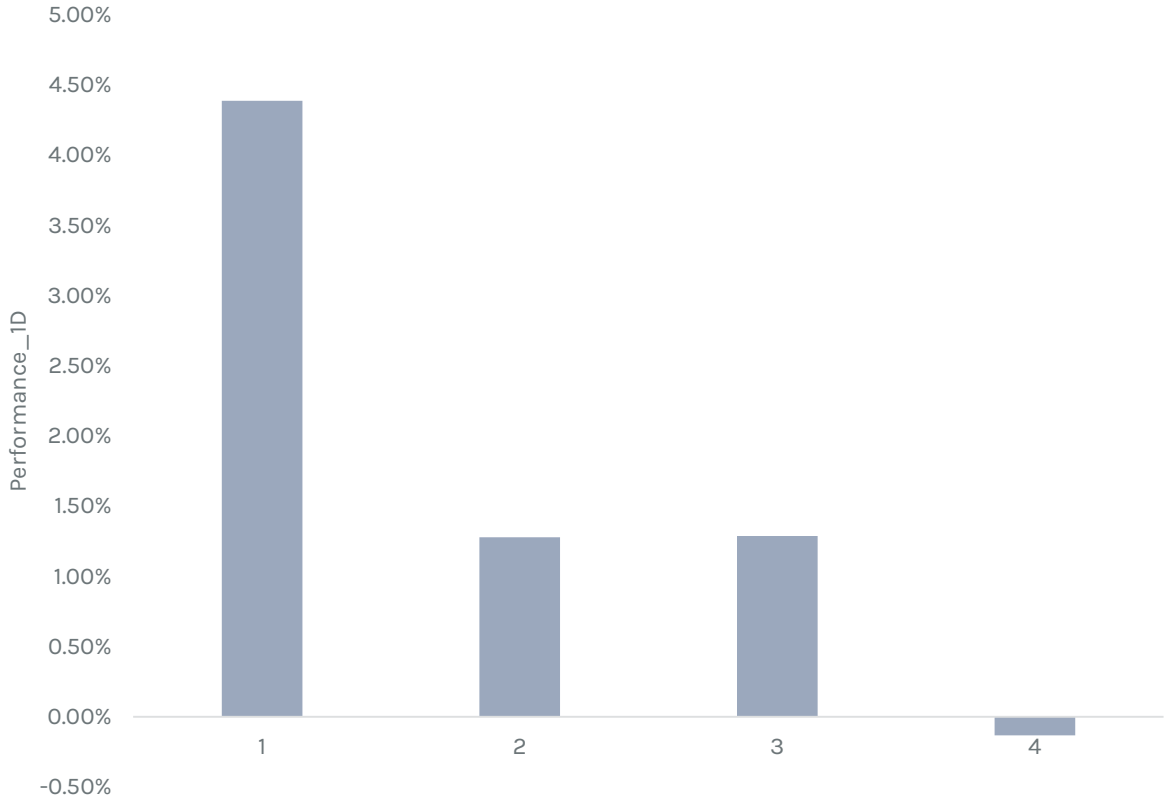
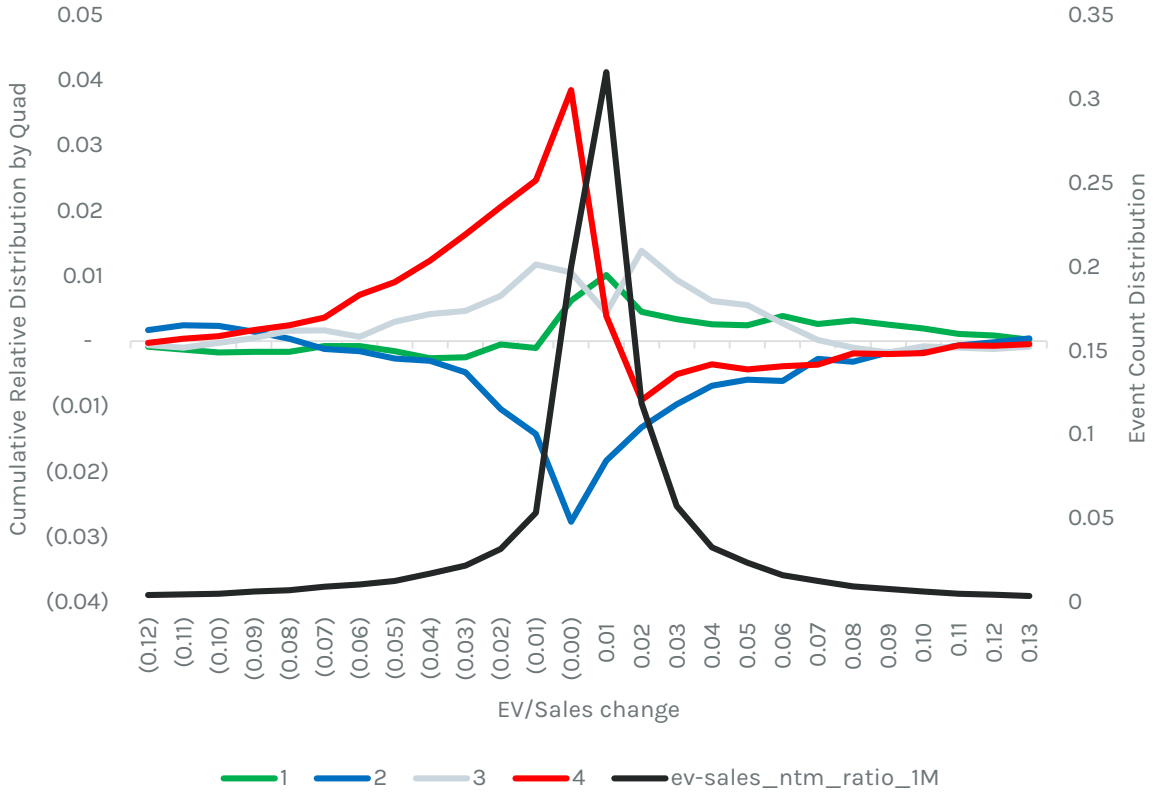




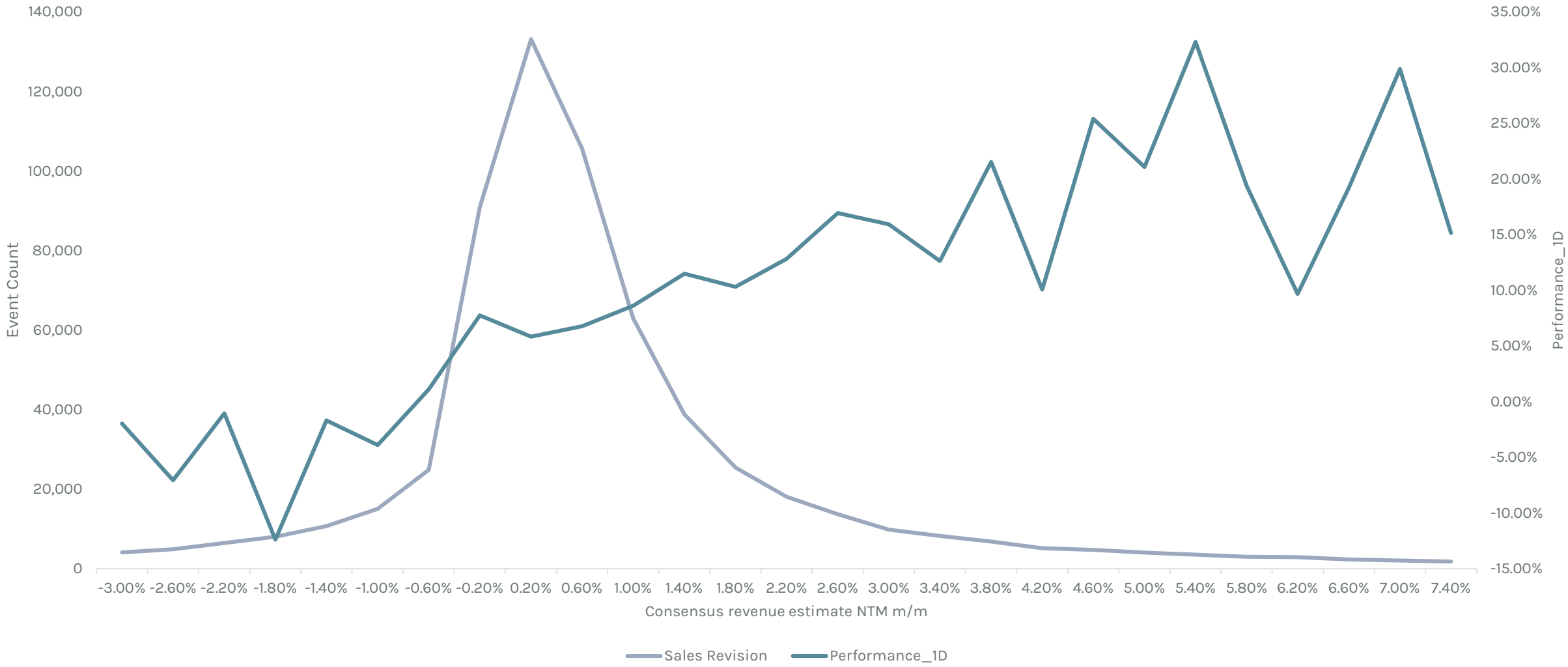
The factor "ev-sales_ntma_ratio_1M" refers to the daily calculation of the month over month ratio of EV/EBITDA based on the next 12 month revenue estimate. The results were first averaged by Macro Quad. We then looked at the cumulative relative distribution for each Macro Quad result. While multiples expand most in Quad 1, the cumulative relative distribution in Quad 4 skews negatively.

Data Source: Factset, Hedgeye Estimates

Revenue Revision vs Daily Performance

HEDGEYE

Revenue estimate trends on a next 12 month basis is a positive predictor of performance

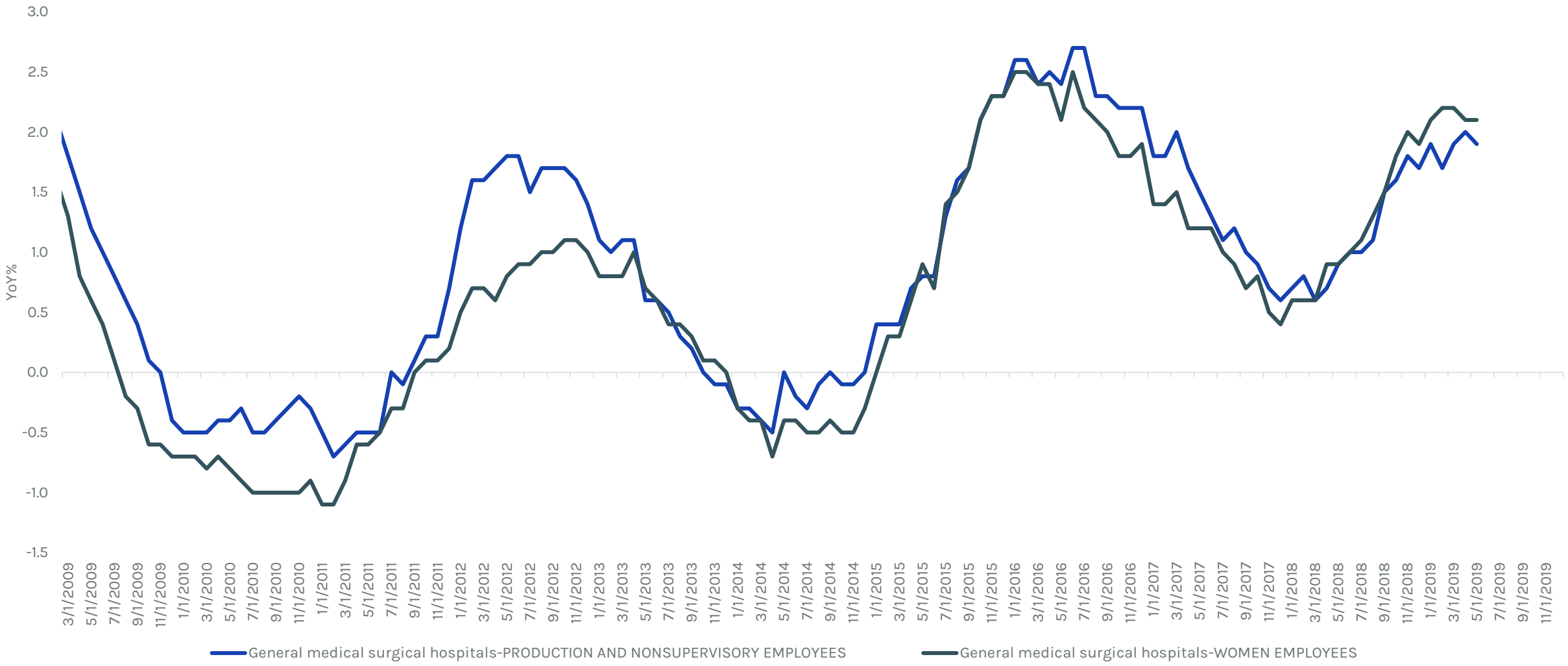


Data Source: Factset, Hedgeye Estimates

General Medical and Surgical Hospitals

HEDGEYE

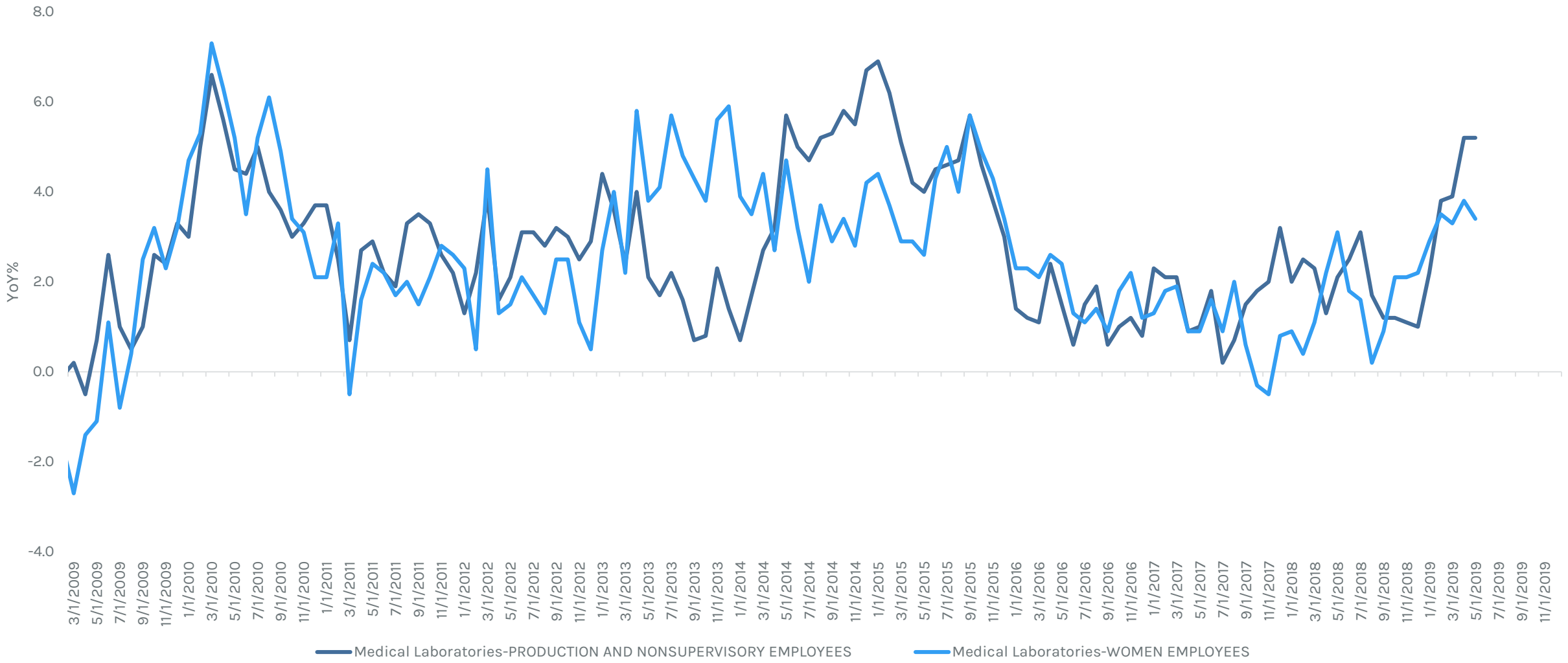
Employment of women; production and non-supervisory employees



Data Source: BLS, Hedgeye Estimates

Medical Laboratories

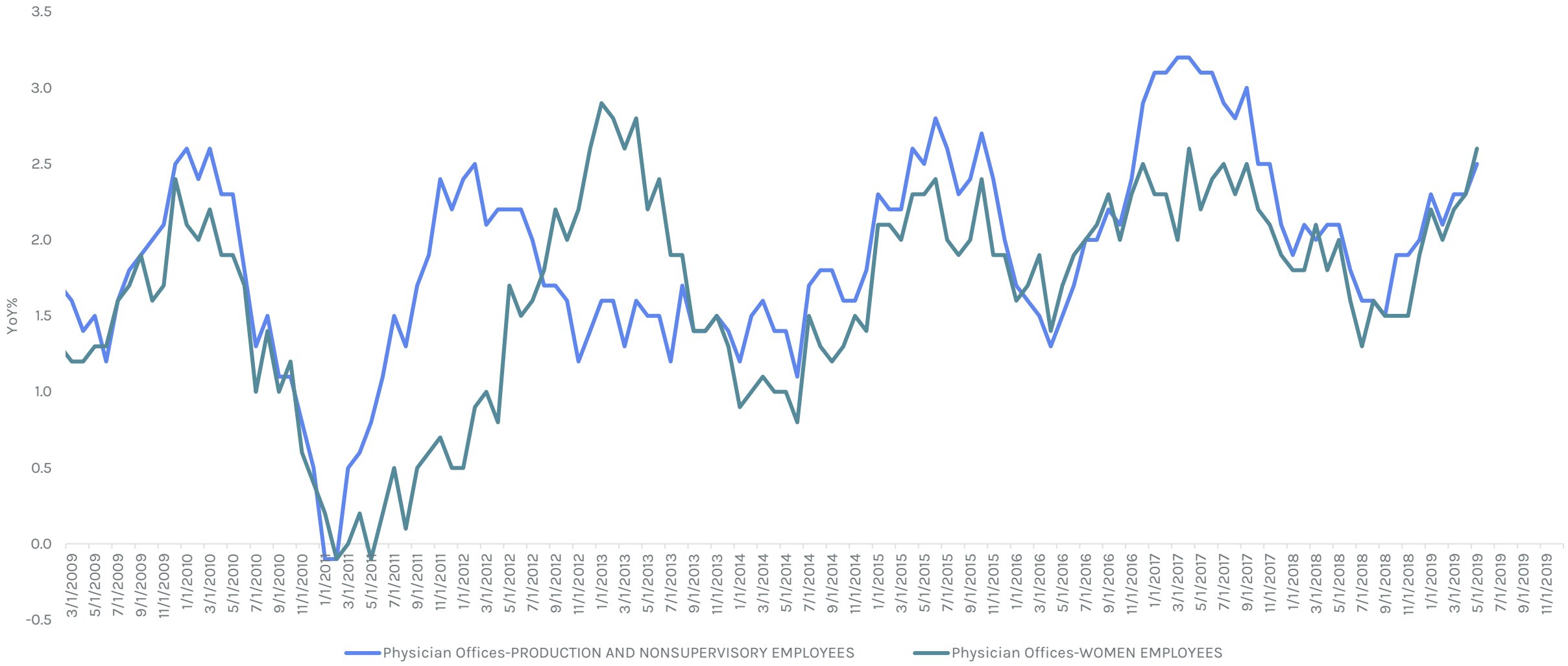
HEDGEYE



Data Source: BLS, Hedgeye Estimates

Physician Offices – Non Mental Health

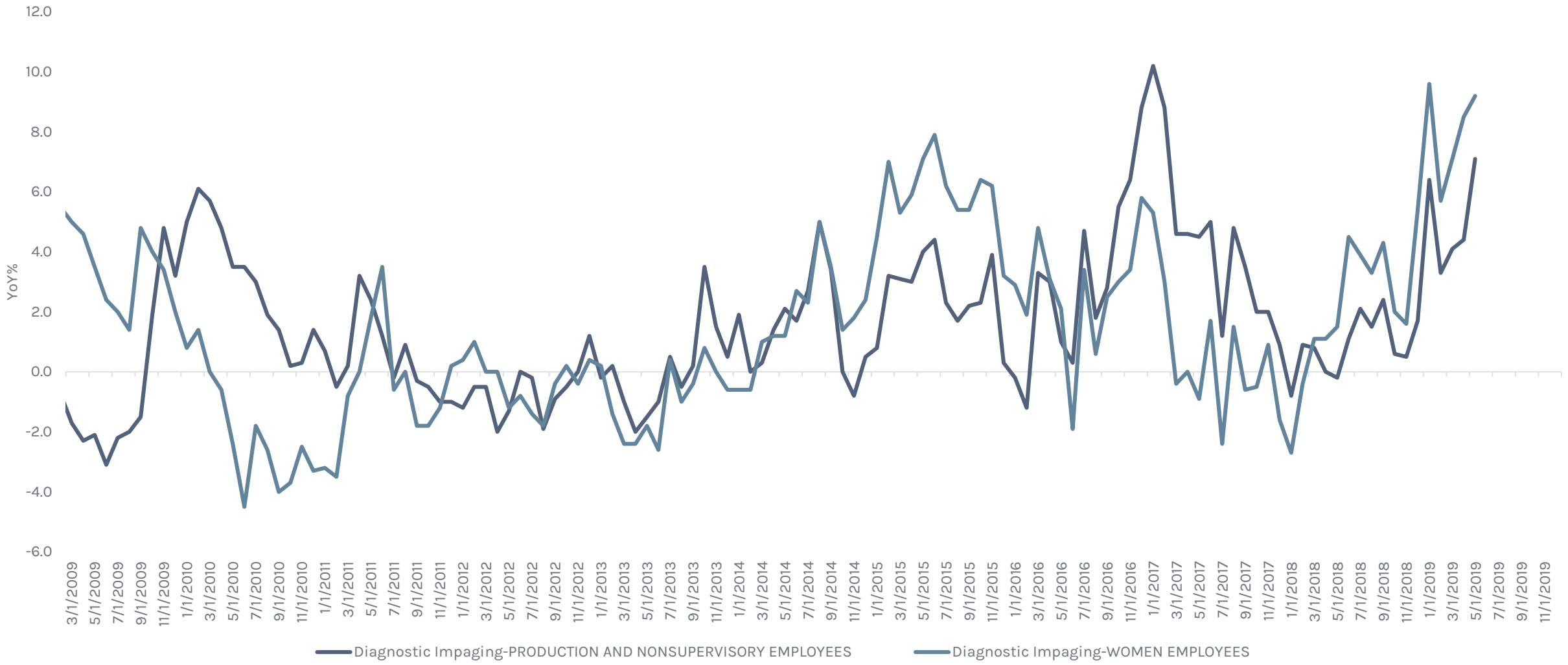
HEDGEYE



Data Source: BLS, Hedgeye Estimates

Diagnostic Imaging

HEDGEYE



Data Source: BLS, Hedgeye Estimates

Health Care Labor Demand

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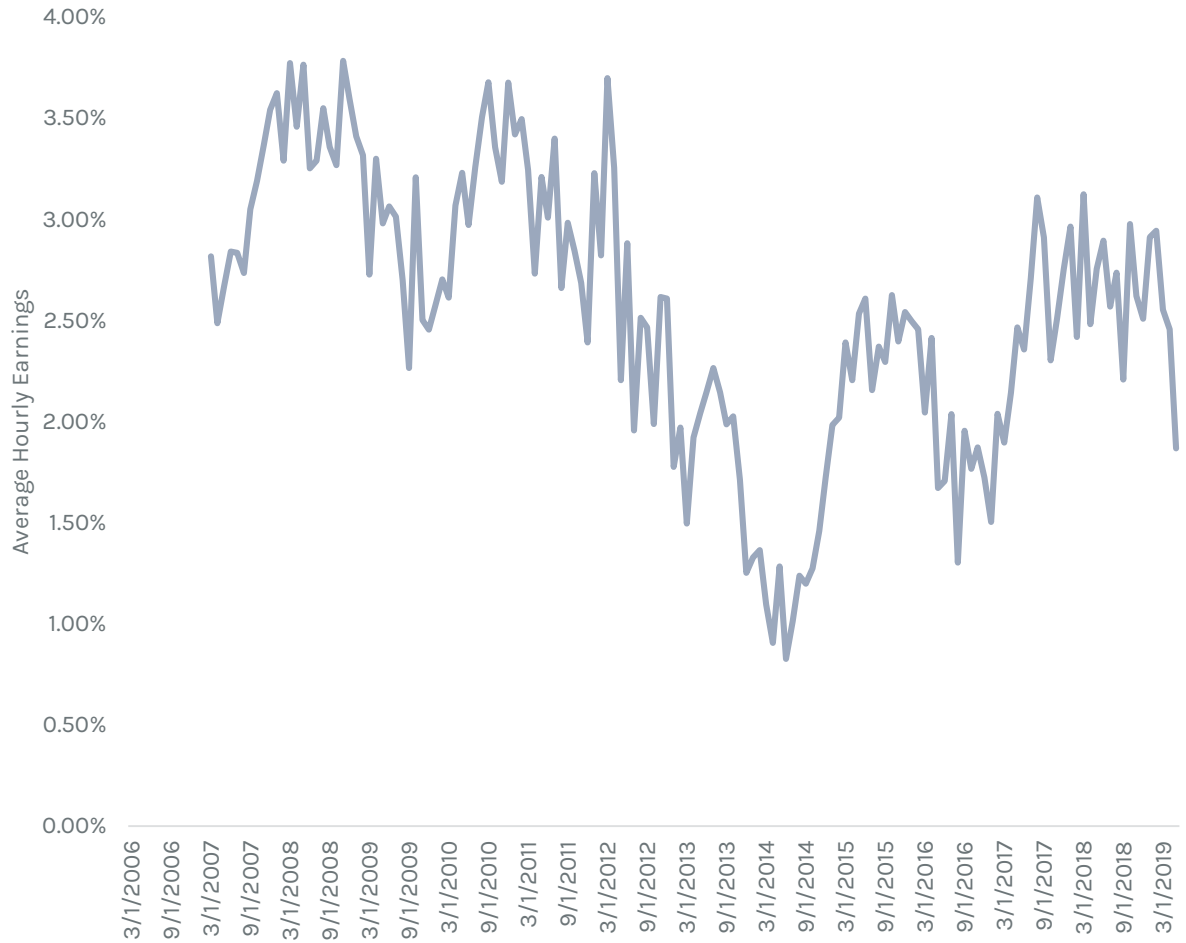
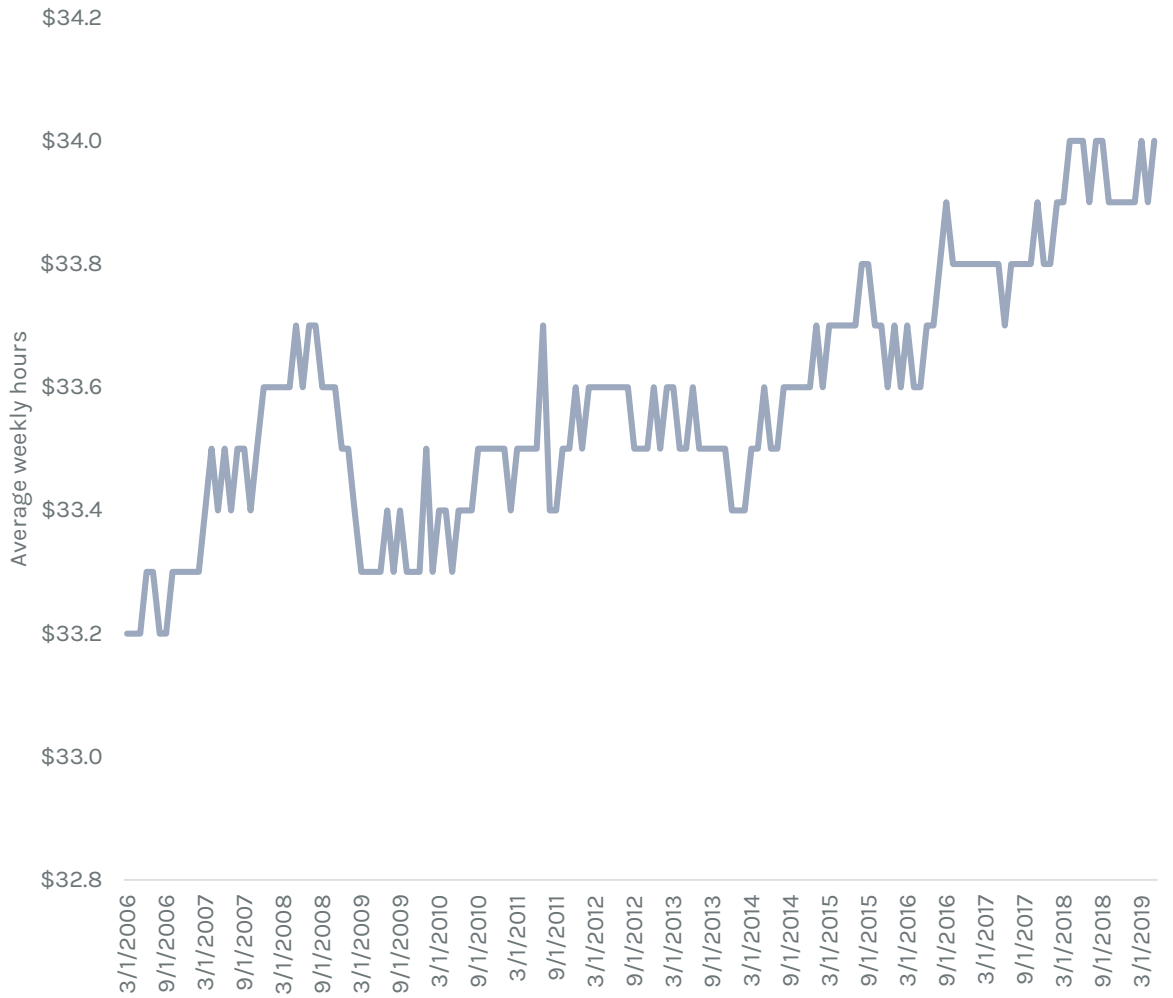
Hourly rate and hours per week





Data Source: BLS, Hedgeye Estimates

Health Care Labor Demand

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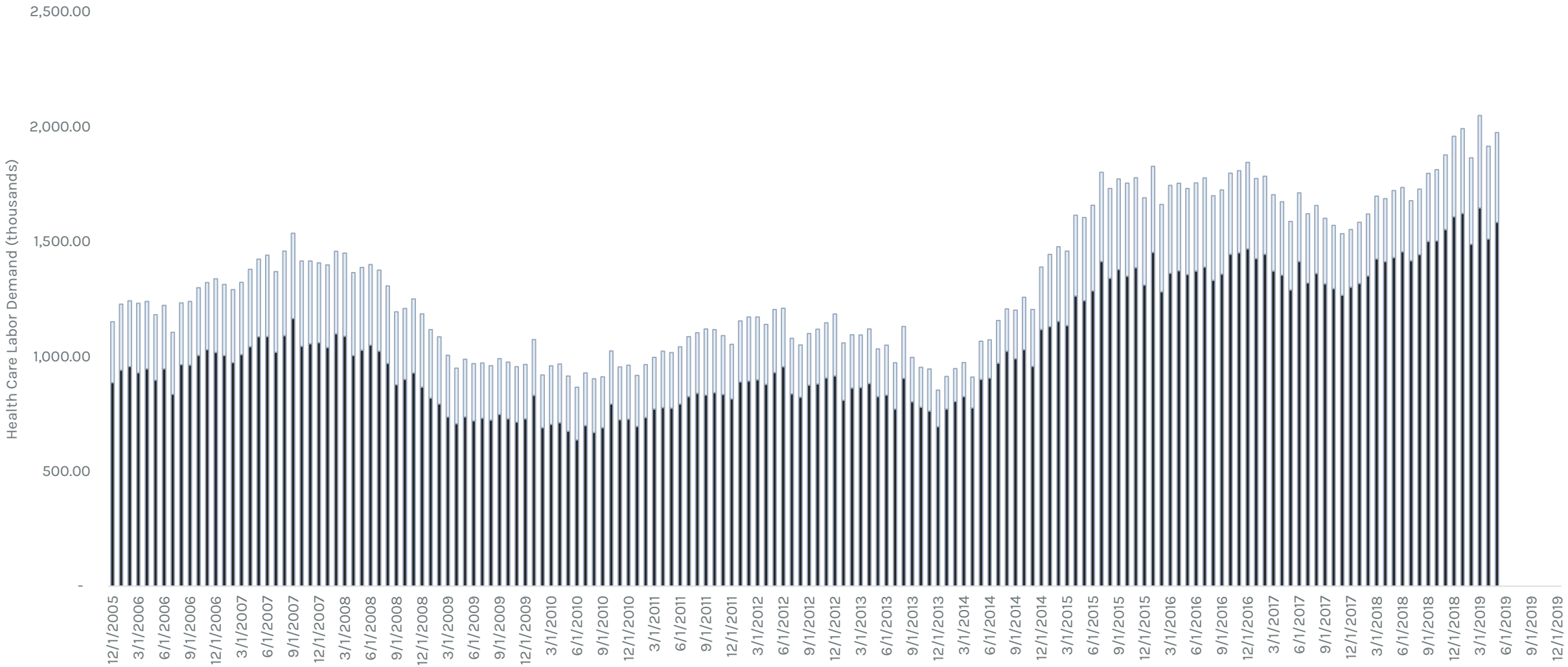
Health Care Labor Demand is the sum of net change in Health Care Employment + Job Openings



Data Source: BLS, Hedgeye Estimates

Health Care Labor Demand – Rate of Change

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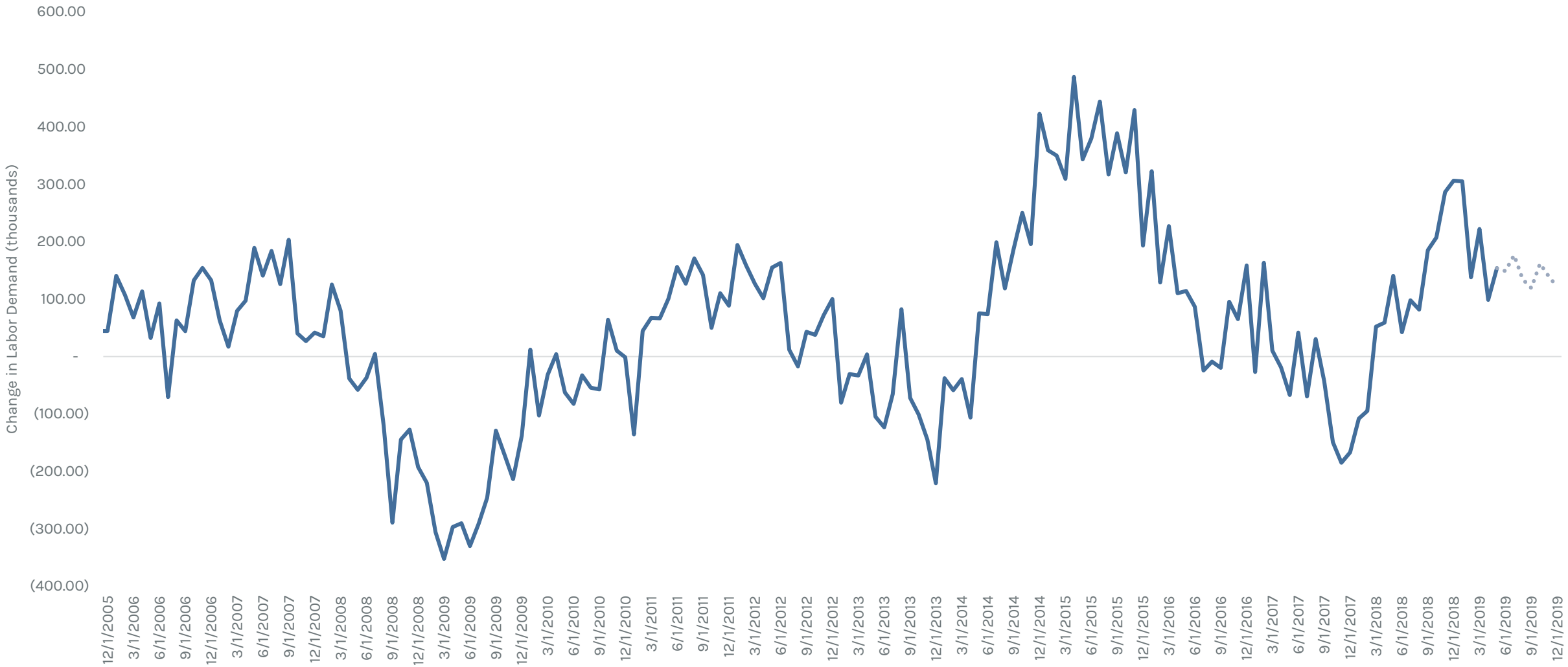
Health Care Labor Demand ROC is the change in sum of net change in Health Care Employment + Openings



Data Source: BLS, Hedgeye Estimates

Health Care Labor Demand – Rate of Change

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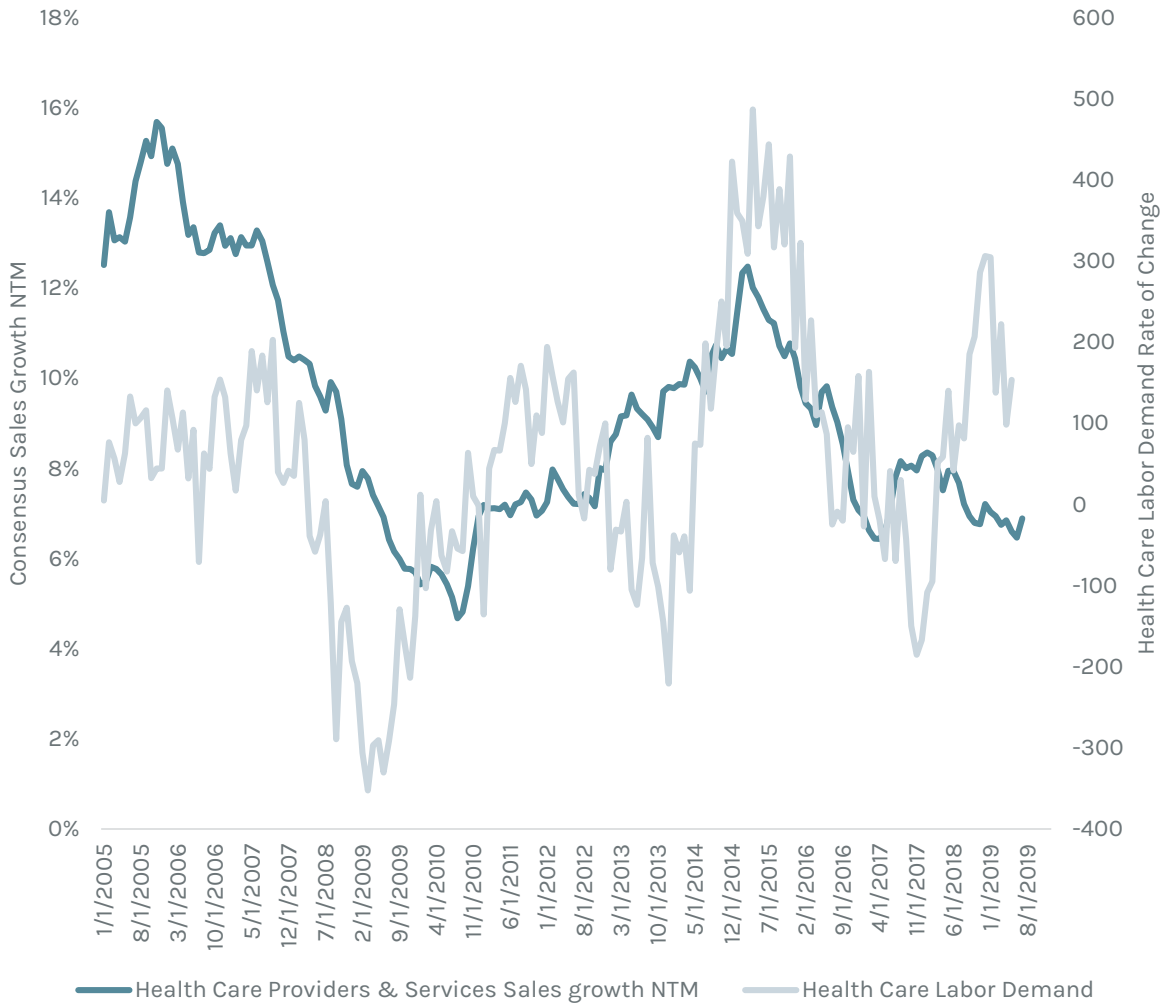
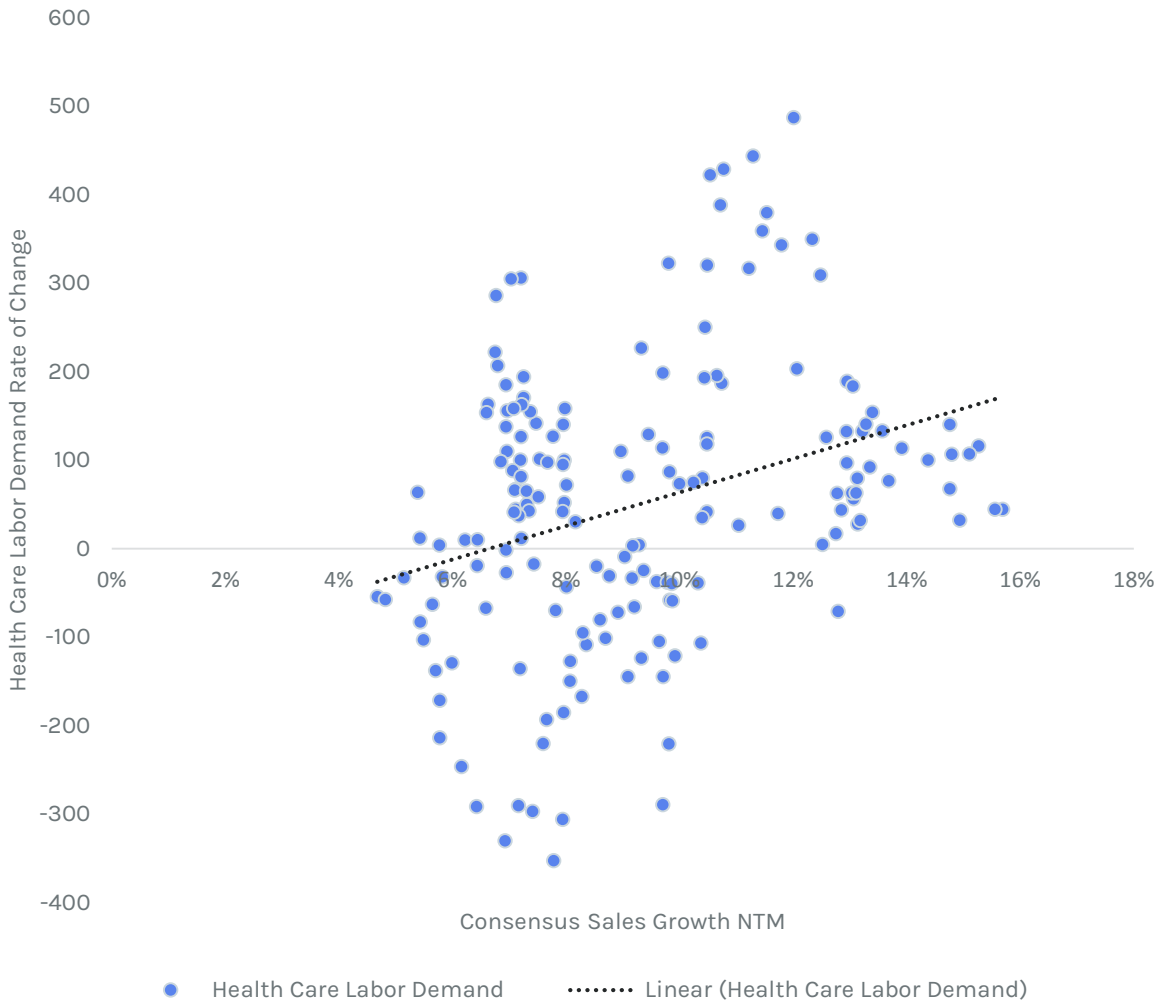
Positive relationship between health care labor demand and sales estimates



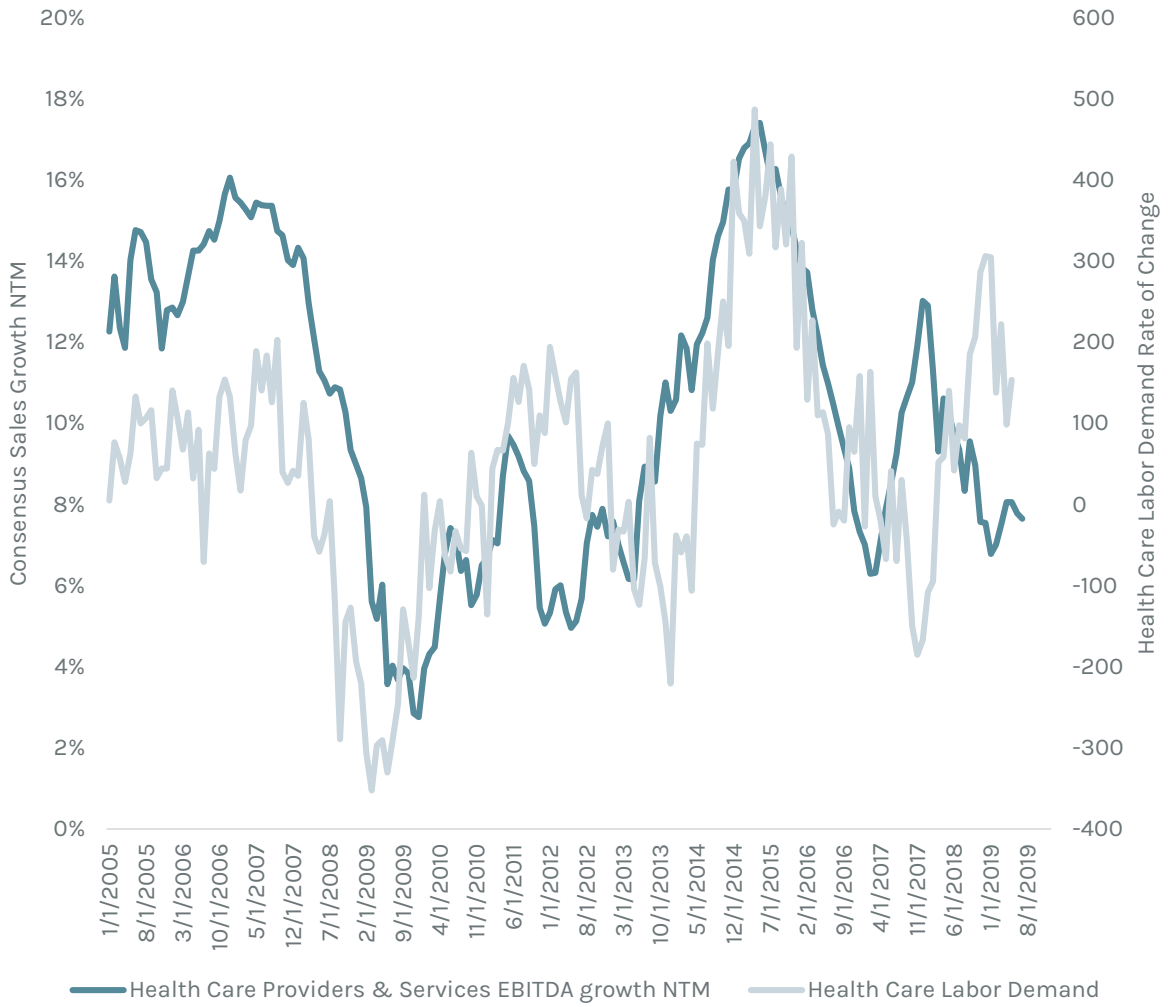


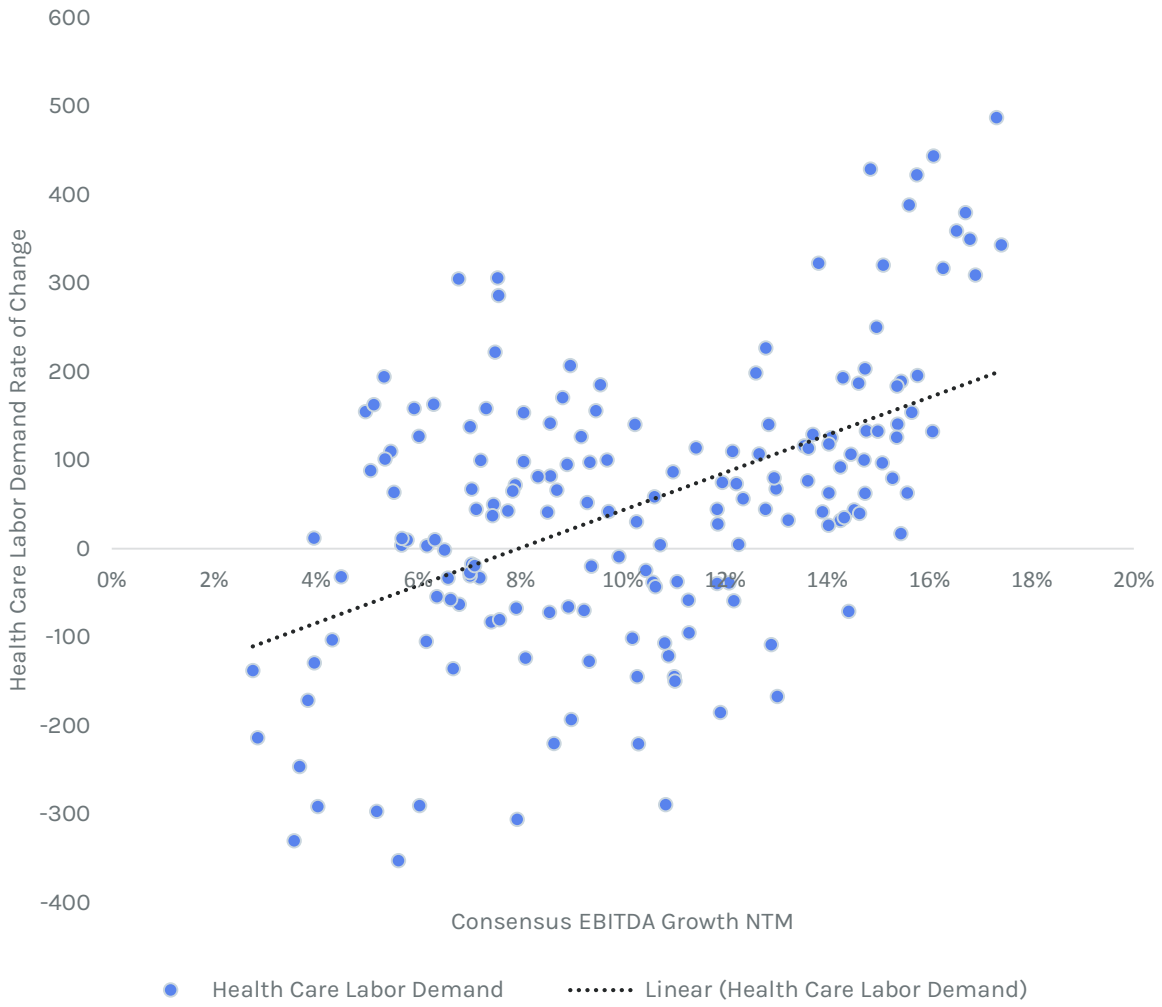
Data Source: BLS, Factset, Hedgeye Estimates

Health Care Labor Demand – Rate of Change

HEDGEYE

Positive relationship between health care labor demand and EBITDA estimates

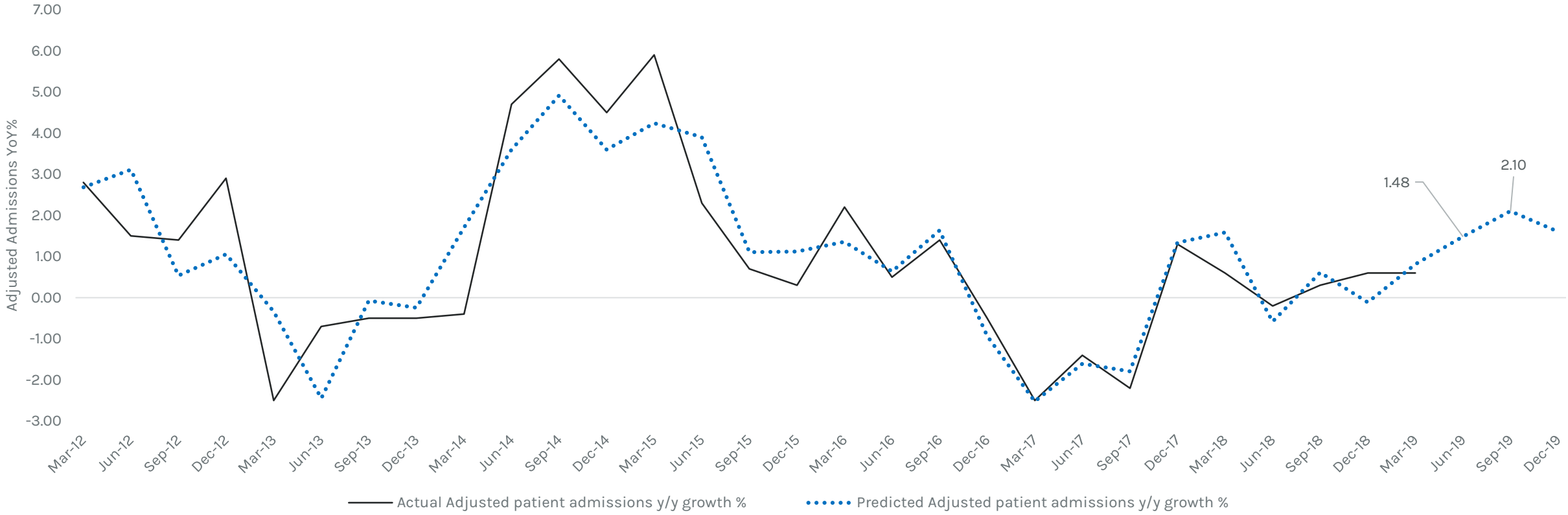




Data Source: BLS, Factset, Hedgeye Estimates

Tenet (THC) Same Facility Adjusted Admissions

HEDGEYE



We use a combination of regional and national Health Care employment series, as well as underlying data tables included in BEA Personal Consumption Expenditure which include Quantity Index, Price, and Total Spending across multiple care areas.

Data Source: BLS, BEA, Company Filings, Hedgeye estimates

Dexcom (DXCM) and Teladoc (TDOC) vs Their Comp Set

HEDGEYE

```
DXCM anr = 1.4: 1.0, 1.3, 1.5, 1.7, 3.0
DXCM beta = 1.4: -3.4e+01, 0.56, 0.9, 1.3, 4.9e+01
DXCM short_interest_% = 5.8: 0.0, 1.9, 4.1, 8.7, 3.3e+03
DXCM ev-ebitda_ntm = 7.8e+01: -8.1e+01, 8.0, 1.1e+01, 1.5e+01, 1.9e+06
DXCM ev-sales_ntm = 8.3: -1.6e+01, 1.3, 2.5, 4.4, 1.3e+04
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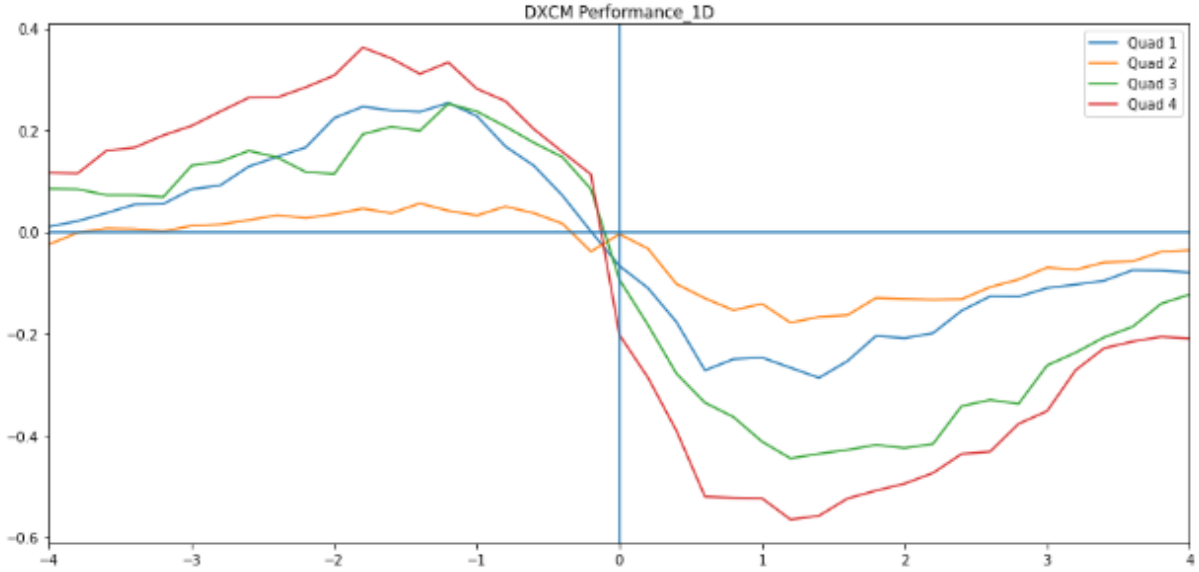


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TDOC anr = 1.1: 1.0, 1.3, 1.5, 1.7, 3.0
TDOC beta = 1.8: -3.4e+01, 0.56, 0.9, 1.3, 4.9e+01
TDOC short_interest_% = 3e+01: 0.0, 1.9, 4.1, 8.7, 3.3e+03
TDOC ev-ebitda_ntm = 9.6e+01: -8.1e+01, 8.0, 1.1e+01, 1.5e+01, 1.9e+06
TDOC ev-sales_ntm = 7.1: -1.6e+01, 1.3, 2.5, 4.4, 1.3e+04
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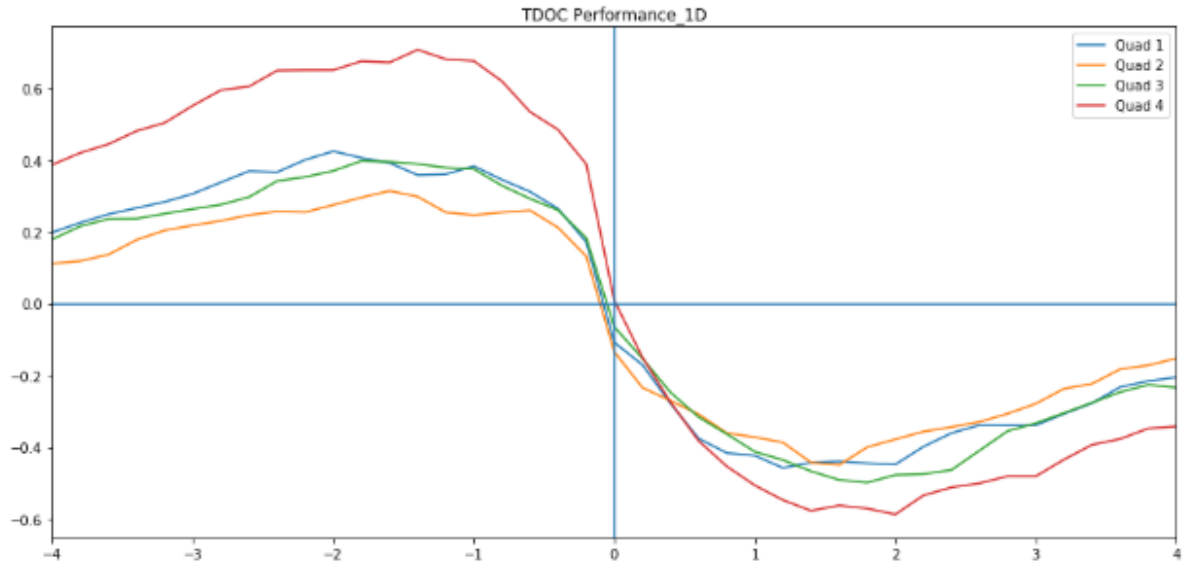


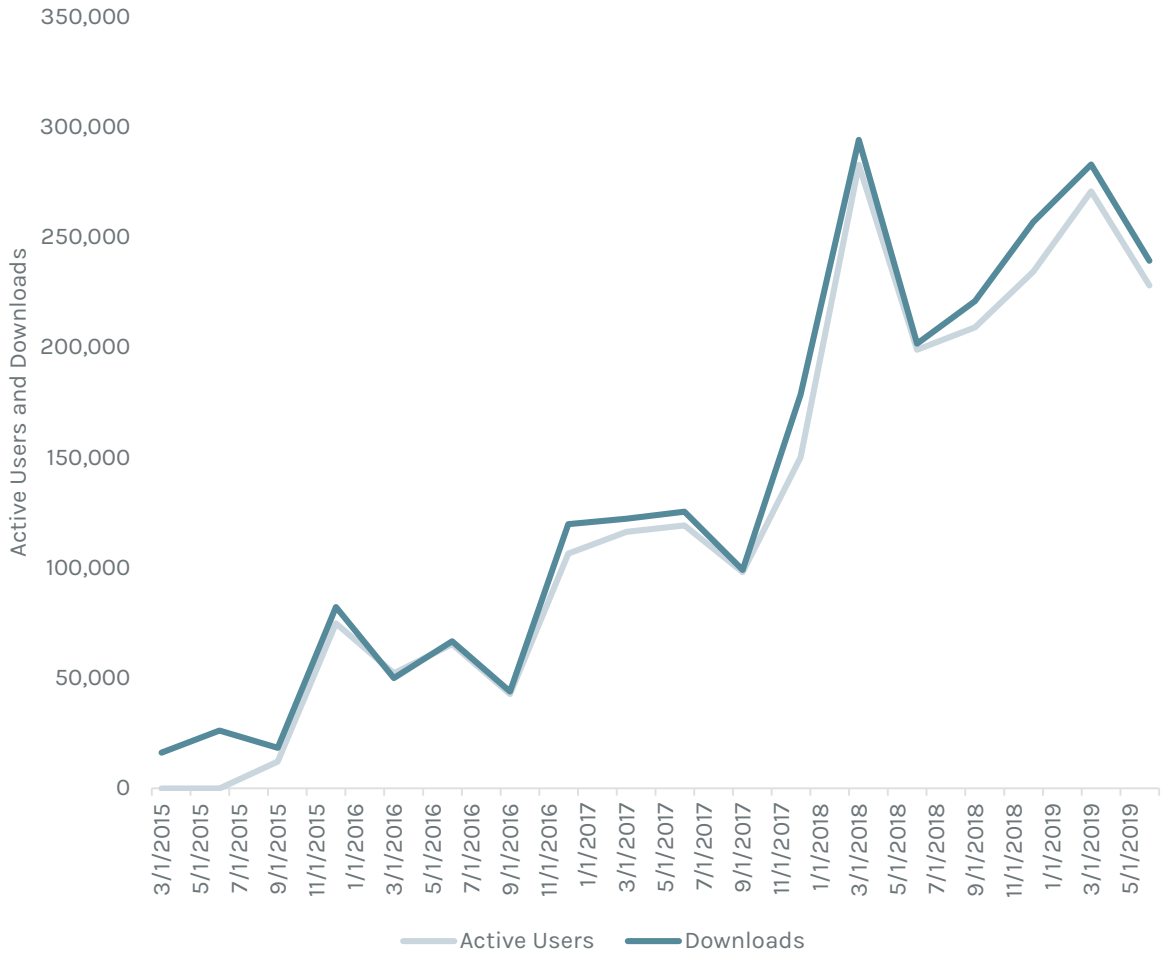
We identified a comparison group for DXCM and TDOC based on matching by quartile for the five factors listed above. The relative cumulative distribution of Performance_1D was then calculated by Macro Quad for the matches. The conclusion from this analysis appears to be that fundamentals are easily overwhelmed by a constellation of stock specific factors.

Data Source: Sensor Tower, Factset, Hedgeye Estimates

Teladoc (TDOC)

HEDGEYE

Concerning drop in active users within app download data for 2Q19 in light of guidance



	Q2 2019E	FY 2019E
Revenue (M)	$128–$131	$535–$545
Adjusted EBITDA (M)	$5–$7	$25–$35
Visits (K)	775–875	3,600–3,900
Members (M)	27–28	27–29
EPS (GAAP)	$(0.42)–$(0.44)	$(1.52)–$(1.66)

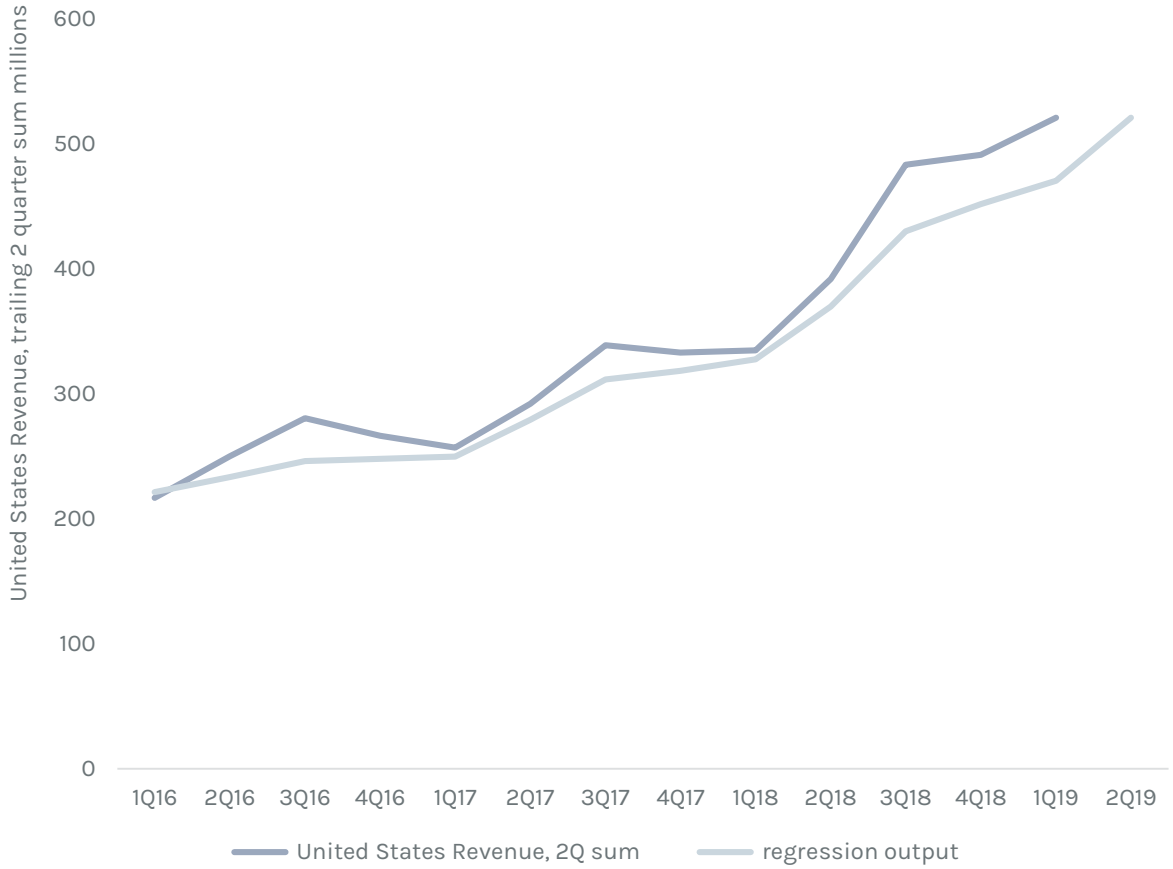
	2Q18 Actual	2Q19 Low	2Q19 High
Revenue	94560000	128000000	131000000
Visits	436000	775000	875000
Revenue per visit	216.88	165.16	149.71
Members	22500000	27000000	28000000
Utilization	2.0%	2.9%	3.1%

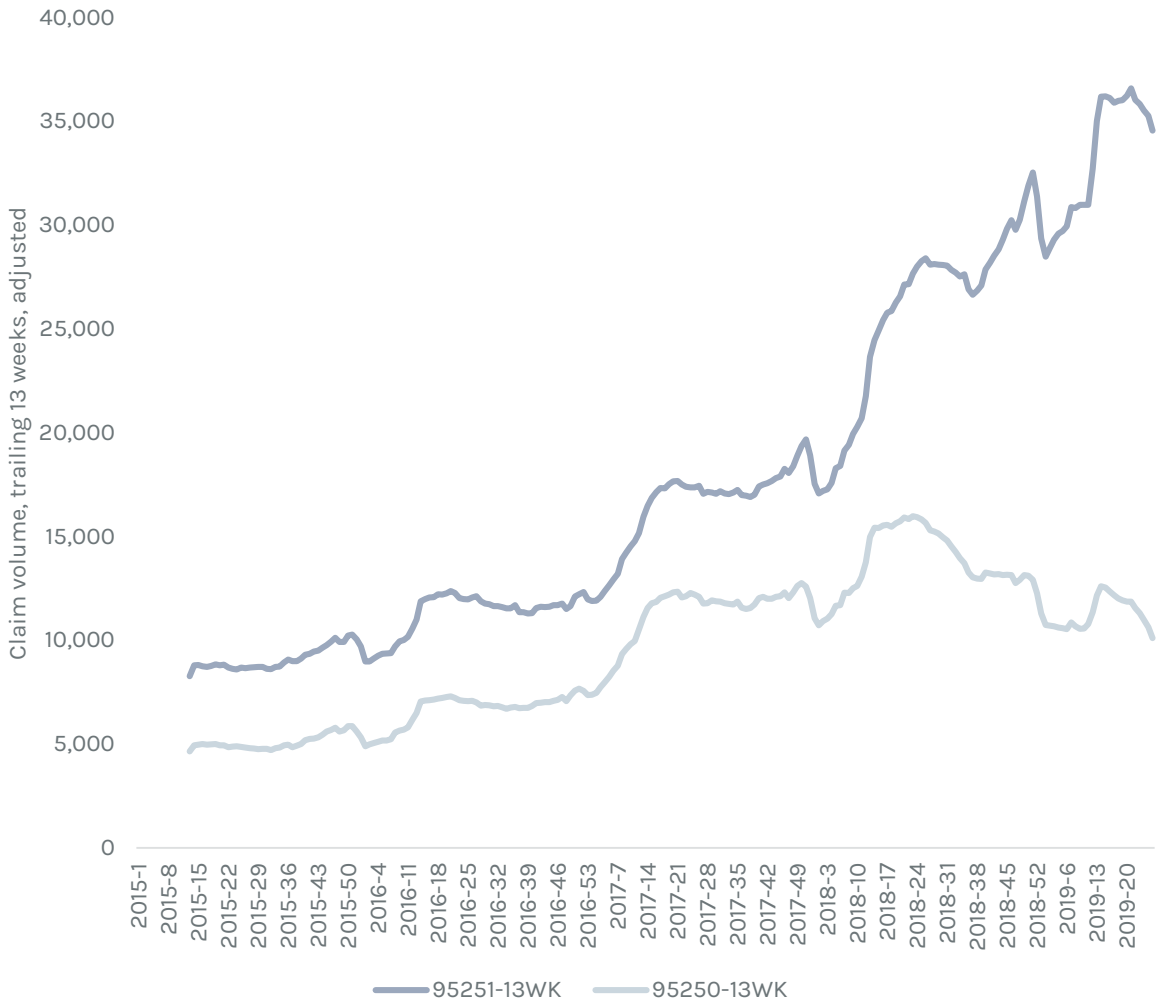
Data Source: Sensor Tower, Factset, Hedgeye Estimates

Dexcom (DXCM)

HEDGEYE

Claim volume for patient data interpretation indicates robust category growth for 2Q19



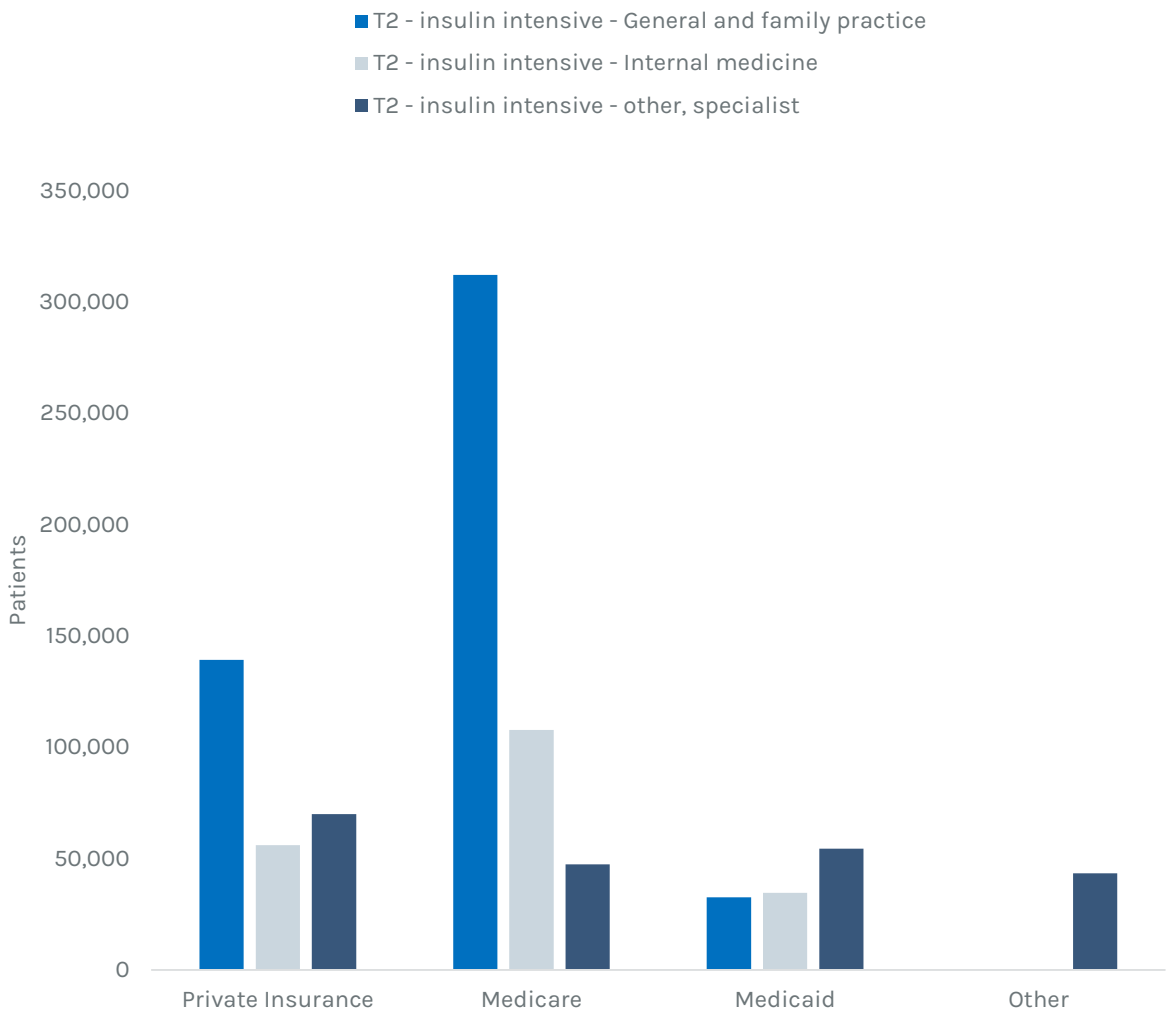


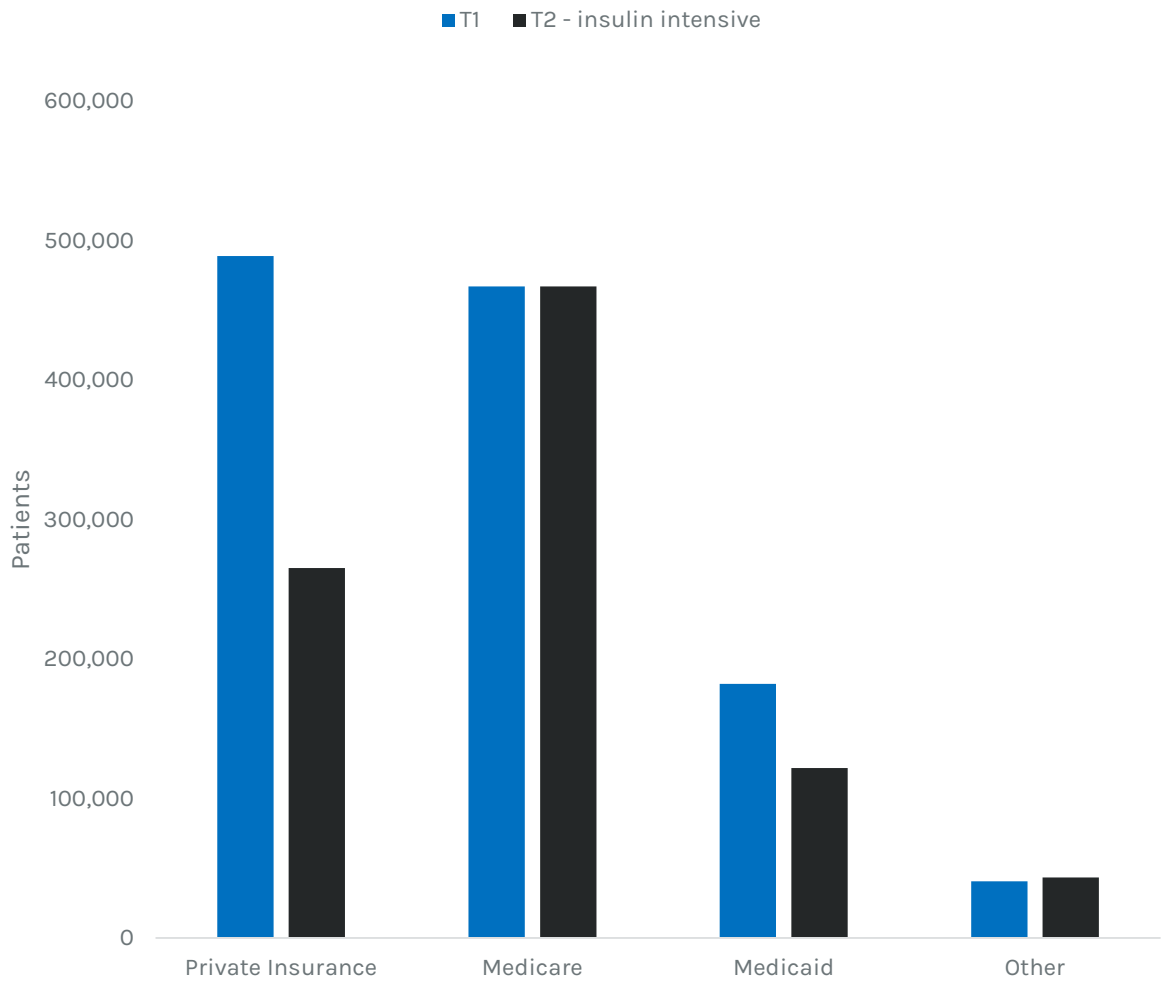
Data Source: Hedgeye Estimates, Company Filings

Dexcom (DXCM)

HEDGEYE

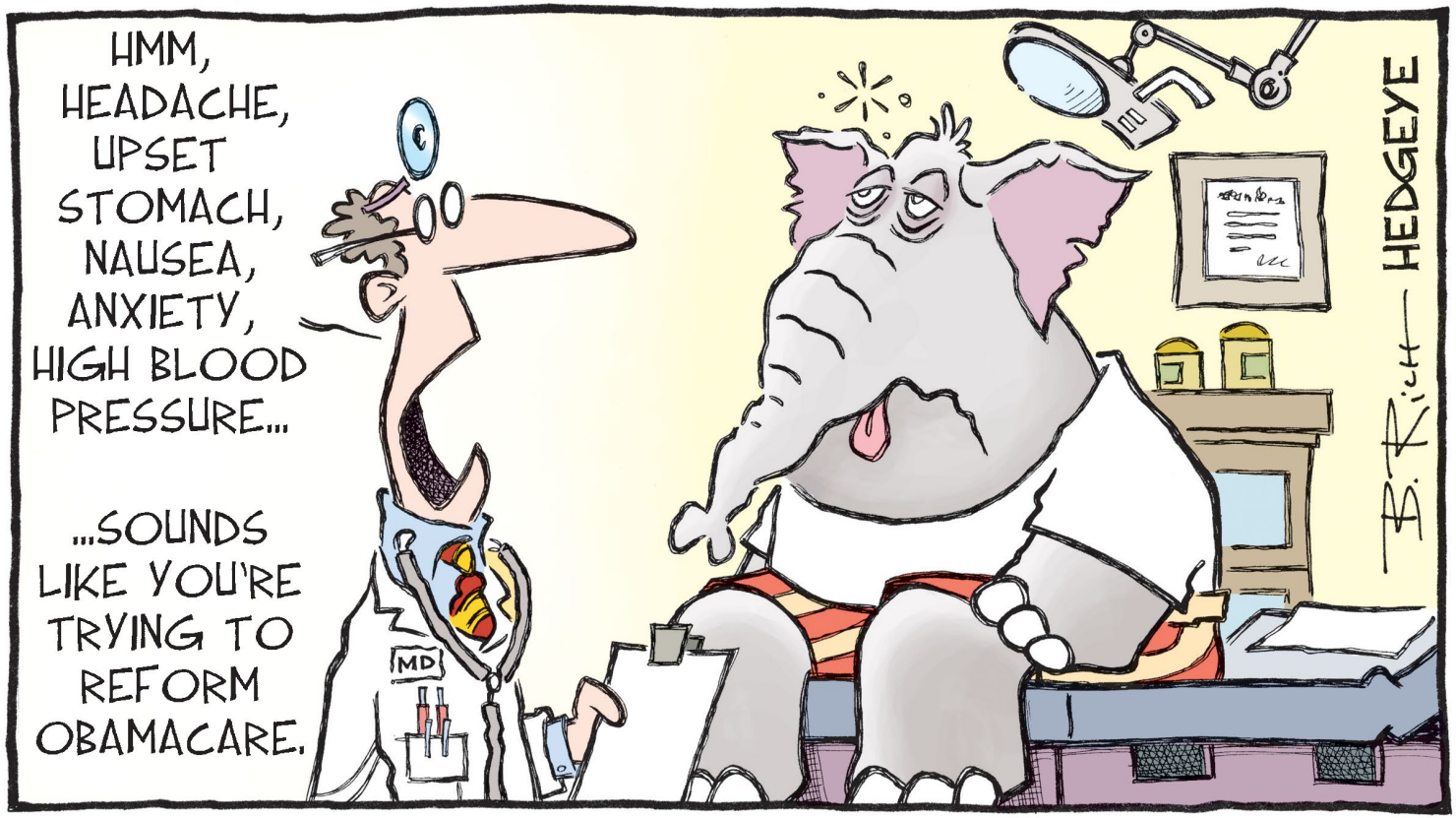
Patient population is far smaller and more difficult to reach than the estimated 30M population of US diabetics





Data Source: Sensor Tower, Factset, Hedgeye Estimates

Policy & Politics



Health Care

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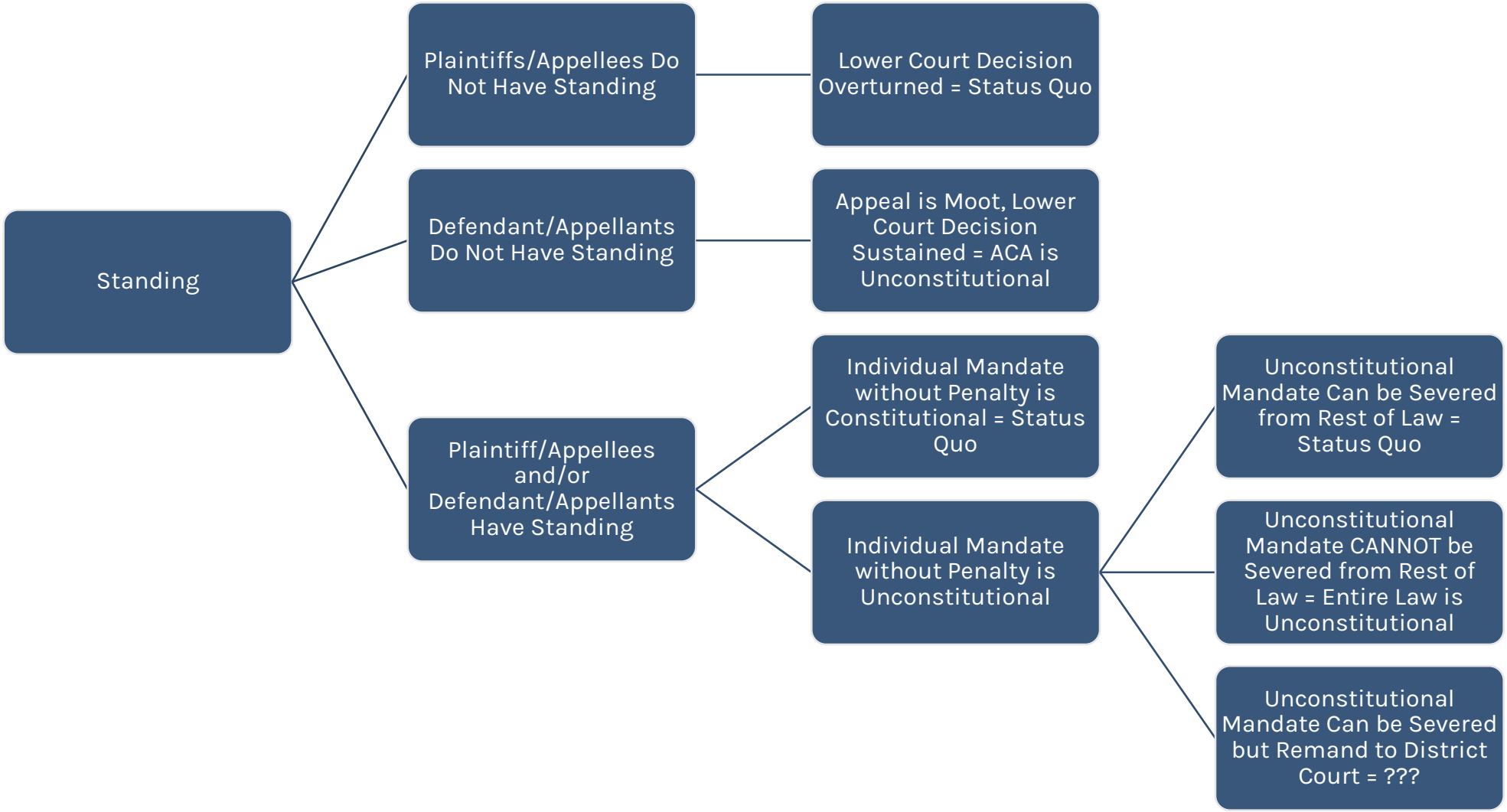
ACA Constitutional Challenge – Range of Outcomes

HEDGEYE



Data Source: Hedgeye

Scenario I: Court Tosses Entire Law

HEDGEYE

Reflects conservative view that courts are not there to do Congress's job

"That is exactly the point because there is a political solution here that you – various parties – are asking this court to roll up its sleeves and get involved. Isn't that exactly the point? Isn't that why the Senate isn't here?

No, your honor.

Truthfully?....Why does Congress want the Article III Judiciary to become the taxidermist for every legislative big game accomplishment that Congress achieves?

Data Source: Fifth Circuit Court of Appeals

Scenario II : Court Says Mandate is Severable

HEDGEYE

Remands to District Court Judge O'Conner to determine that stays and what goes

"If we held, hypothetically, that it was severable but said 'District Court, do your best…take out your blue pencil.'

Why, why would we have to do that? In any other normal case you send it back to the District Court in the first instance to make the best stab at the ruling we made. That would be the normal proceeding in the 100 cases we have this month."

Data Source: Fifth Circuit Court of Appeals

Scenario II: What Stays, What Goes

HEDGEYE

1 What Goes?

Title I "Quality, Affordable Health Care for All Americans

- Prohibition on annual limits
- Coverage of preventive services
- Extension of dependent coverage (age 26)
- Prohibition on pre-existing condition exclusion, imposition of community rating, 3:1 age band, guaranteed issue
- Establishment of Qualified Health Plans and Essential Health Benefits
- Premium tax credits and cost-sharing reductions
- Individual and employer mandates
- Medical Loss Ratio for certain plans

2 What Stays?

Title II "Role of Public Programs"

- Medicaid expansion
- Medicaid prescription drug rebates
- Changes to Medicaid DSH payments

Title III "Improving the Quality and Efficiency of Health Care

- Quality programs
- Changes to Medicare Part D
- Revisions of Market Basket Adjustment

Title IV-Title VII

- Public health programs, workforce programs, program integrity

3 Jump ball

Title IX "Revenue Provisions"

- Cadillac Tax
- Additional tax on distributions of HSAs
- Fee on branded prescription drugs
- Device tax
- HIF
- Tanning Tax

Data Source: Library of Congress, Hedgeye

Official Candidate Positions on Health Care

HEDGEYE

BIDEN PRESIDENT

- Support changes to ACA especially if law is voided by courts
- Make Public Option available for everyone
- Offer Public Option premium-free to those living in non-Expansion states
- Expand ACA tax credits by eliminating income cap
- Limit total cost of health insurance to 8.5% of income
- Permit direct negotiation by Medicare with pharmaceutical manufacturers
- Establish independent price review board for drug prices
- Support drug importation by individuals

Bernie

- Number 1 Issue
- Medicare-for-All, single payer program with prohibition on private insurance supplicative of federal program
- Allow federal programs to negotiate with pharmaceutical manufacturers
- Permit importation of drugs from Canada and other industrialized nations
- Peg pharmaceutical prices to medical prices in Canada, UK, France, Germany and Japan

WARREN

- Not an enumerated issue
- Co-sponsored Medicare for All
- Favors supporting ACA while addressing high prescription drug prices and moving incrementally toward Medicare-for-All
- Opposed to privatization of Medicare

KAMALA HARRIS for PRESIDENT

- Number 1 Issue
- Supports Medicare-For-All
- Supports direct negotiation between Medicare and pharmaceutical companies
- Wants to end post-government employment by pharmaceutical companies

Data Source: Candidate Websites

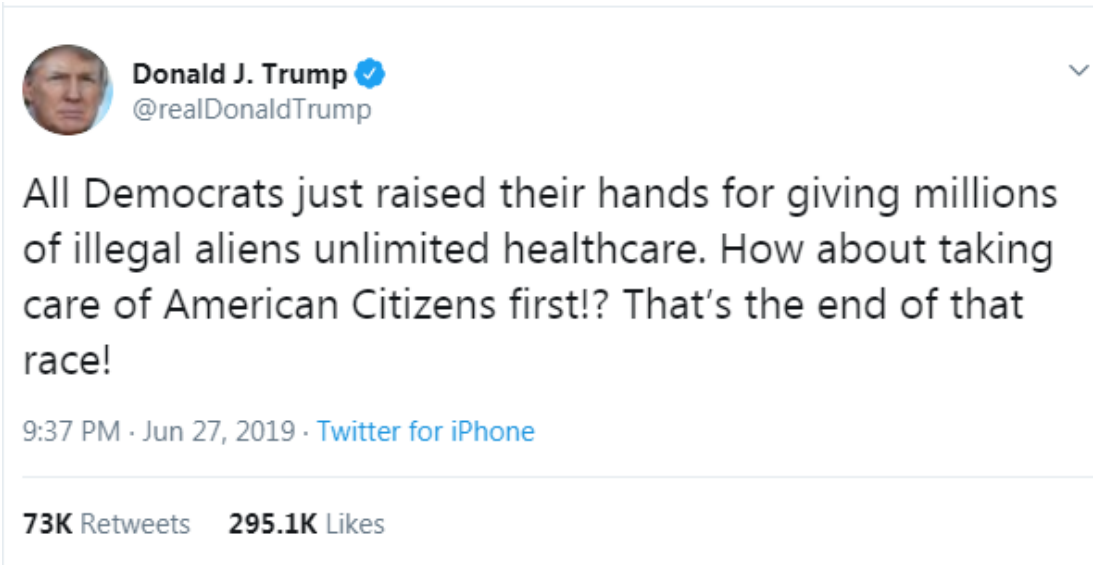
Competition for Being Most Friendly to Health Care

HEDGEYE

Departure from Past Policy to Provide Undocumented Immigrants Health Care

Debate 1A: June 27, 2019

Trump Responds

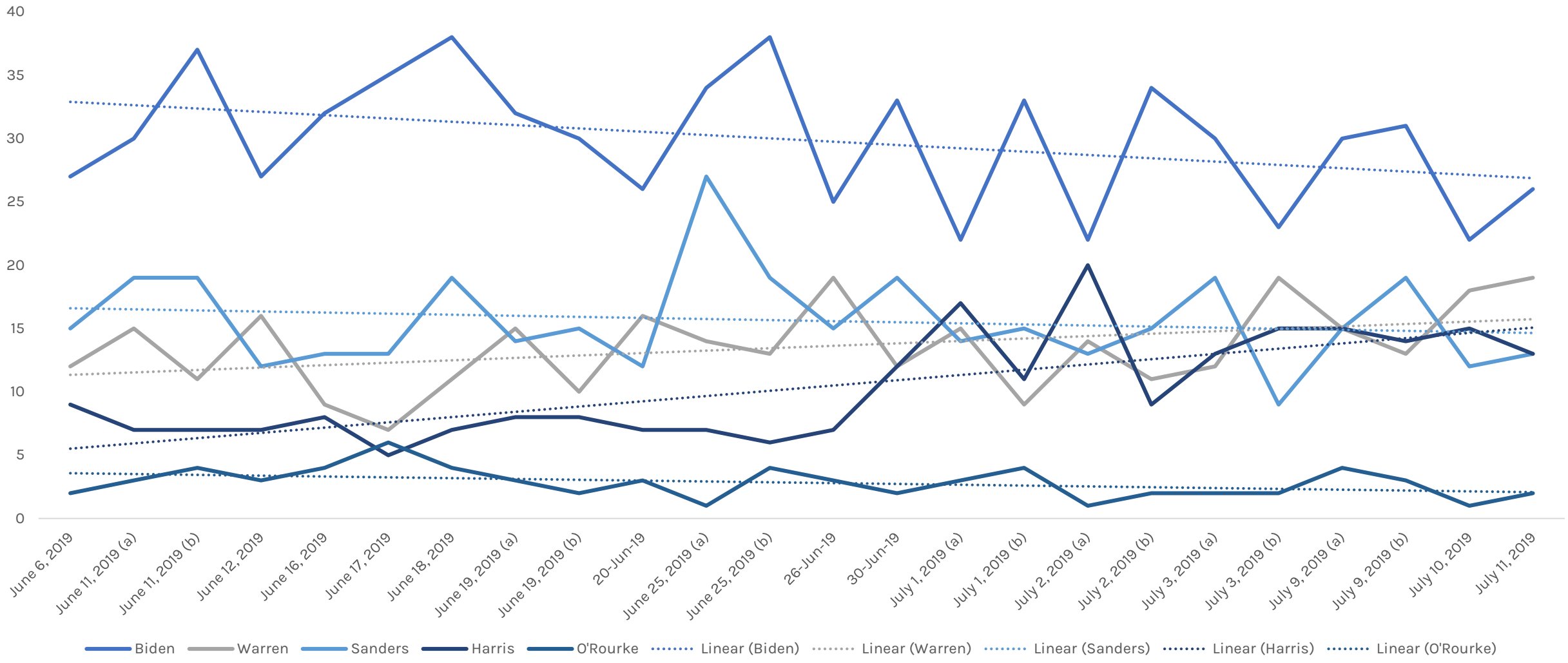


Data Source: Association Press, Twitter

Poll Results – Top Democrat Candidates

HEDGEYE

Biden's prospects a concern for investors

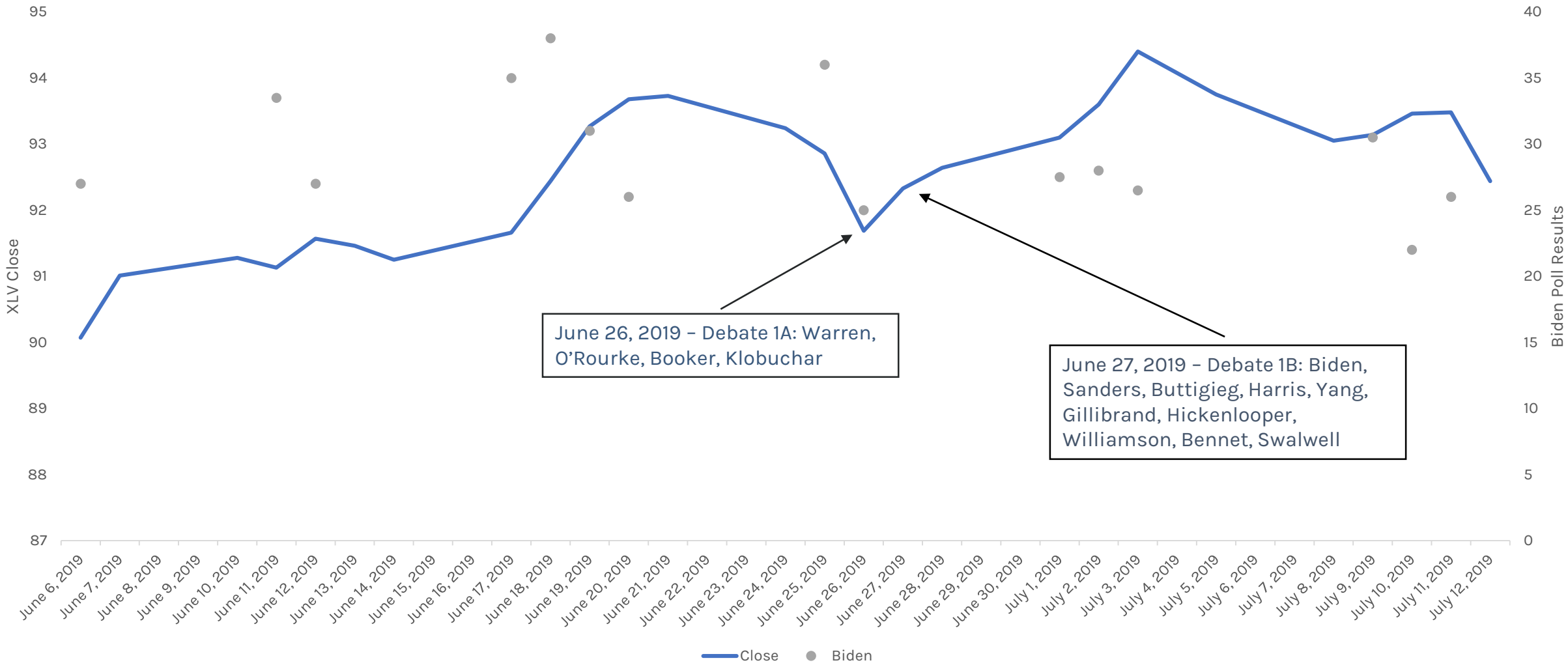


Data Source: Real Clear Politics

Neither Causation Nor Correlation…

HEDGEYE

But still worth watching Biden's Poll Numbers



Data Source: Factset, Real Clear Politics

Comparison of House and Senate Drug Legislation

HEDGEYE

House of Representatives

Energy and Commerce

- Reporting and Justification of drug price increases that are 10% or more over a 12 month period or 25% or more over a 36 month period
- Reporting on revenue, R&D and executive compensation

Senate

HELP

- Reporting and justification of drug price increases that are 10% or more over a 12 month period or 25% or more over a 36 month period
- Prohibition on gag clauses between health plans and drug manufacturers and components of the supply chains; required reporting on drug use, cost-sharing, wholesale acquisition costs, etc.
- Prohibition on spread pricing in group plans
- Requirement that 100 percent of rebates are passed through to group plan sponsors
- Disclosure to all ERISA and individual market plans compensation paid the third parties

Judiciary

- Limits on anti-competitive behaviors in drug approval

Finance

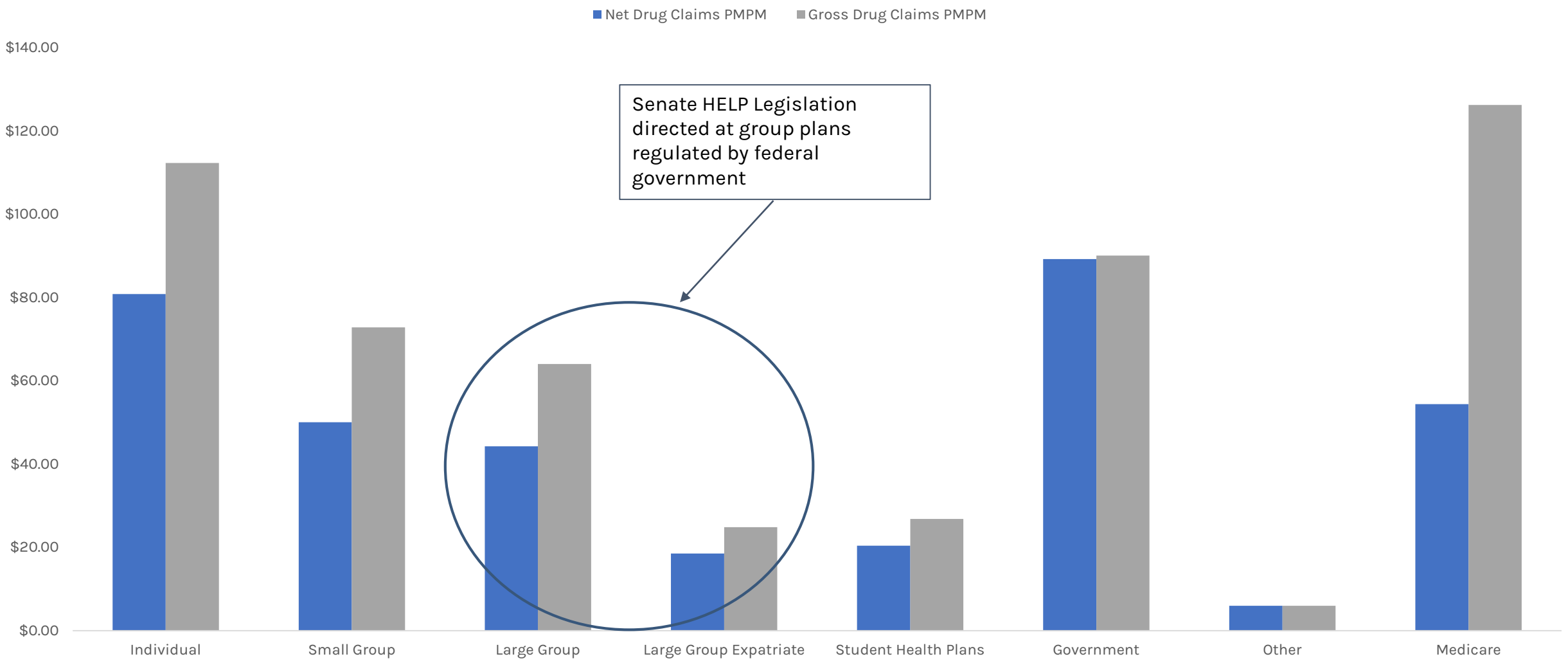
- Hung up on inflationary rebate controversy

Data Source: Library of Congress

Law Could Eliminate Commercial Rebates

HEDGEYE

UNH Insurance Company of Hartford, CT, 2018 Data

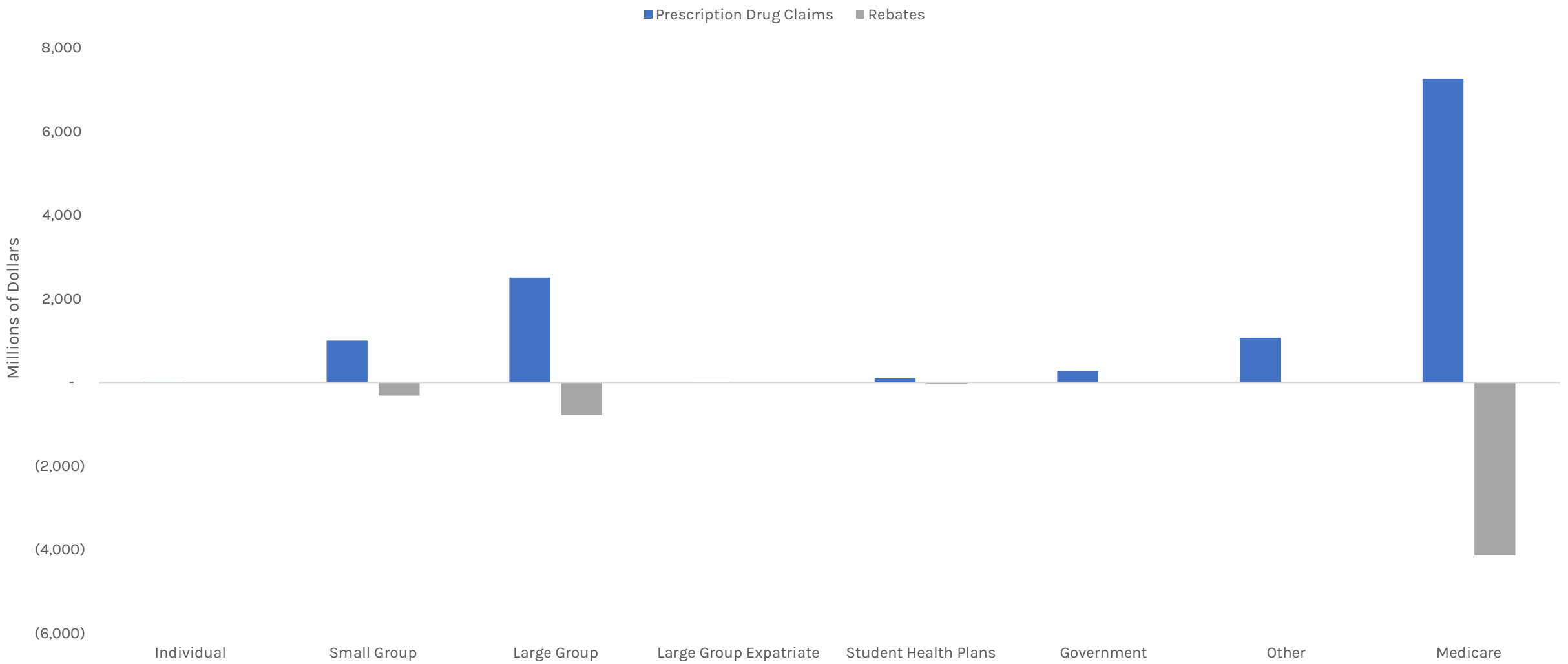


Data Source: NAIC, Hedgeye Estimates

Most Rebates in Medicare Part D

HEDGEYE

UNH Insurance Company of Hartford, CT, 2018 Data



Data Source: NAIC, Hedgeye Estimates

President’s Executive Order on Price Transparency

HEDGEYE

1 Posting of Prices

Requires regulation mandating hospitals to post standard charge rates, including charges and information based on negotiated rates and for common or shoppable items and services, in an easy-to-understand, consumer-friendly, and machine-readable format using **consensus-based data standards** that will meaningfully inform patients’ decision making and allow patients to compare prices across hospitals.

2 Disclosure of Cost-sharing Requirements

Requires Advanced Notice Of Proposed Rulemaking to require healthcare providers, health insurance issuers, and self-insured group health plans to provide or facilitate access to information about expected out-of-pocket costs for items or services to patients before they receive care

3 Mandated Access to Claims Data

Requires taxpayer-funded and federal regulated plan to increase access to de-identified claims data from taxpayer-funded healthcare programs and group health plans for researchers, innovators, providers, and entrepreneurs, in a manner that is consistent with applicable law and that ensures patient privacy and security

Data Source: White House

A Tale of Two Chargemasters: Detroit, MI

HEDGEYE

DDR	DMC Detroit Receiving Hospital	VAGINAL DELIVERY	$7,617.00
DDR	DMC Detroit Receiving Hospital	LABOR AND DELIVERY OUTPATIENT	$296.00
DDR	DMC Detroit Receiving Hospital	LABOR ROOM FALSE LABOR/DISCHAR	$190.00
DDR	DMC Detroit Receiving Hospital	CESAREAN SECTION DELIVERY ONLY	$12,492.00

Henry Ford Hospital	774	VAGINAL DELIVERY W COMPLICATING DIAGNOSES	$ 16,292.82
Henry Ford West Bloomfield	774	VAGINAL DELIVERY W COMPLICATING DIAGNOSES	$ 13,928.02
Henry Ford Hospital	775	VAGINAL DELIVERY W/O COMPLICATING DIAGNOSES	$ 11,118.81
Henry Ford West Bloomfield	775	VAGINAL DELIVERY W/O COMPLICATING DIAGNOSES	$ 11,868.10

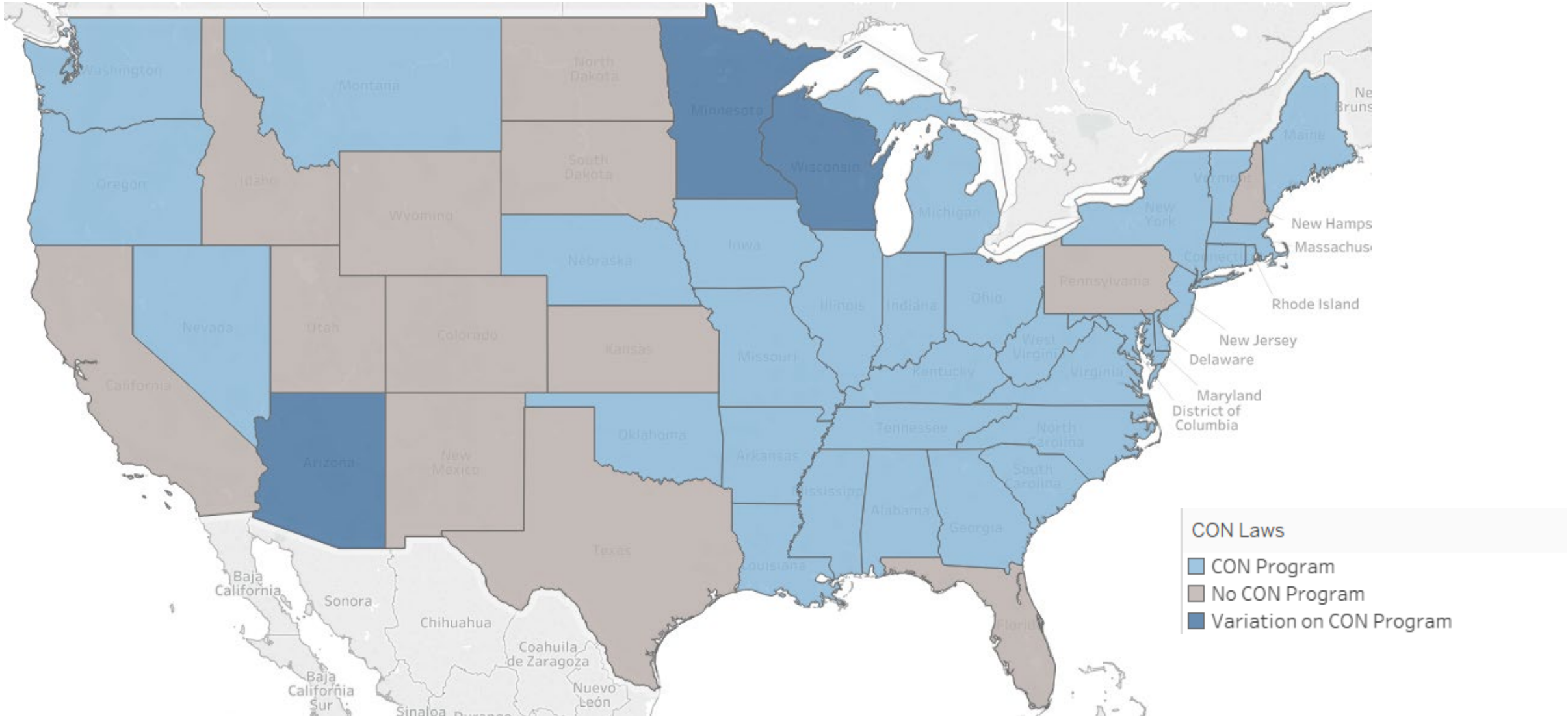
Henry Ford Hospital	786	CESAREAN SECTION W/O STERILIZATION W MCC	$ 36,597.84
Henry Ford West Bloomfield	786	CESAREAN SECTION W/O STERILIZATION W MCC	$ 26,535.46
Henry Ford Hospital	787	CESAREAN SECTION W/O STERILIZATION W CC	$ 23,666.34
Henry Ford West Bloomfield	787	CESAREAN SECTION W/O STERILIZATION W CC	$ 19,984.12
Henry Ford Hospital	788	CESAREAN SECTION W/O STERILIZATION W/O CC/MCC	$ 24,185.69
Henry Ford West Bloomfield	788	CESAREAN SECTION W/O STERILIZATION W/O CC/MCC	$ 17,482.31

Data Source: Company Websites

Impact of Price Disclosure – CON Laws

HEDGEYE

Florida Recently Repealed all CON Laws

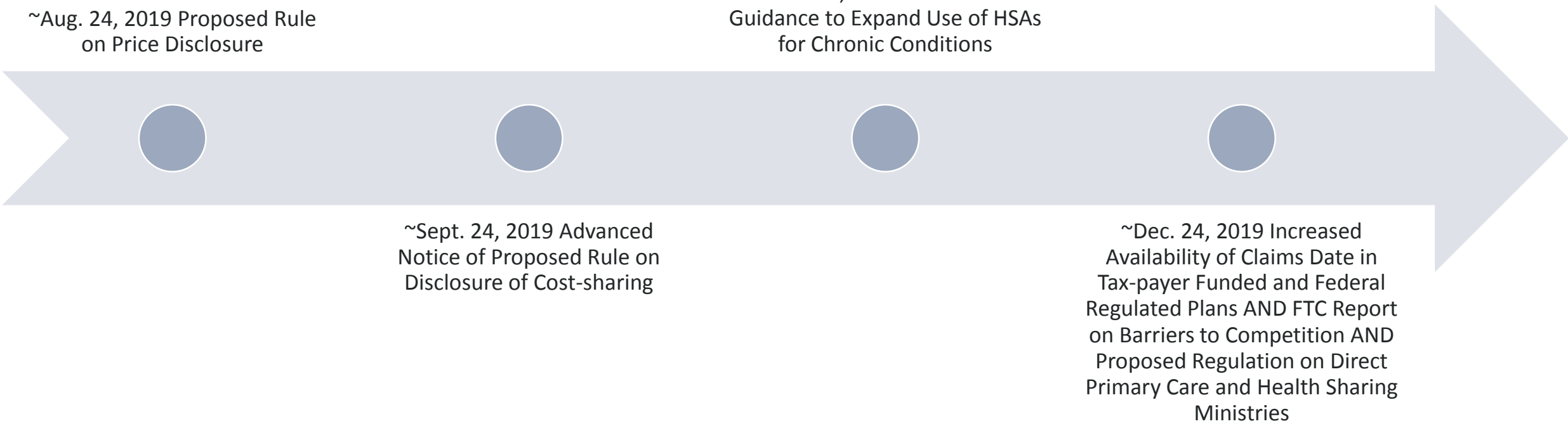


Data Source: National Conference of State Legislatures

Executive Order Timeline

HEDGEYE

Proposed Rule on Price Disclosure Expected by End of Q3

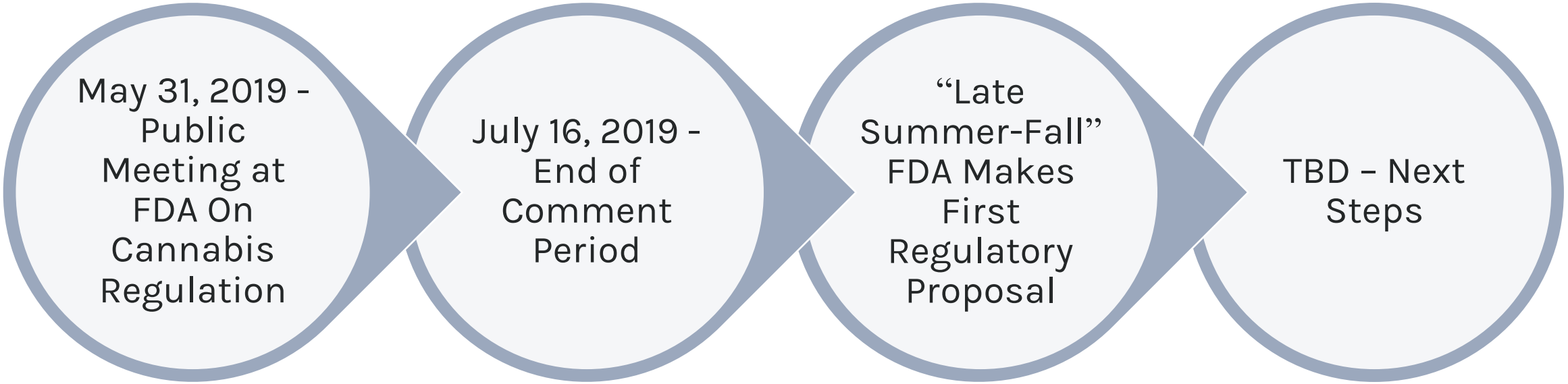


Data Source: White House

Cannabis Regulation

HEDGEYE

It is a slow grind toward…something



Data Source: FDA, Federal Register

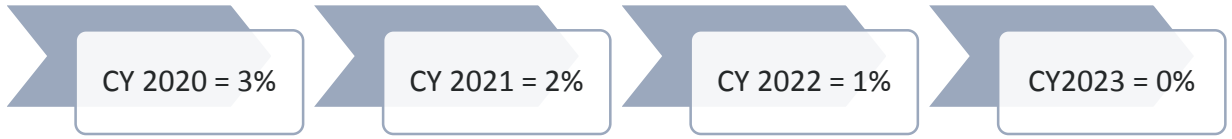
Changes to Dialysis Payment Policy

HEDGEYE

Home Dialysis Payment Adjustment & Performance Payment Adjustment

HDPA

Facility Formula = ((Adjusted ESRD PPS per Treatment Base Rate * Facility HDPA)+Training Add-on + TDAPA)*ESRD QIP Factor + Outlier Payment * ESRD QIP Factor



Facility PPA

	Performance Payment Adjustment Period				
MPS	1 and 2	3 and 4	5 and 6	7 and 8	9 and 10
≤ 6	5.00%	6.00%	7.00%	8.00%	10.00%
≤ 5	2.50%	2.50%	3.50%	4.00%	5.00%
≤ 3.5	0.00%	0.00%	0.00%	0.00%	0.00%
≤ 2	-4.00%	-4.00%	-5.00%	-6.00%	-6.50%
≤ .50	-8.00%	-9.00%	-10.00%	-12.00%	-13.00%

Clinician PPA

	Performance Payment Adjustment				
MPS	1 and 2	3 and 4	5 and 6	7 and 8	9 and 10
≤ 6	5.00%	6.00%	7.00%	8.00%	10.00%
≤ 5	2.50%	3.00%	3.50%	4.00%	5.00%
≤ 3.5	0.00%	0.00%	0.00%	0.00%	0.00%
≤ 2	-3.00%	-3.50%	-4.00%	-4.50%	-5.50%
≤ .50	-6.00%	-7.00%	-8.00%	-9.00%	-11.00%

Data Source: Federal Register

Barriers to Home Dialysis

HEDGEYE

Payment System

- **Encourages** home dialysis through parity between home and in-center; training add-on payment especially in first four months; $500 one time training fee for nephrologists
- **Encourages** through Medicare coverage that begins earlier than in-center care
- **Discourages** with separately payable drugs
- **Discourages** with differing payment structures for nephrologist

Practice Patterns

- Limited exposure to home dialysis in nephrology training; GME payment system limits training outside of hospital
- Little emphasis in Board Certification exam on home dialysis
- Competency in PD; concerns about supply chain
- Lack of training in catheter placement

Patient Suitability

- Lack of housing infrastructure, storage space for supplies, financial burden for modifications
- Limited literacy or ESL
- Lack of care-giver support
- Psychological barriers
- Lack of education sufficiently in advance of beginning dialysis

Economic Barriers

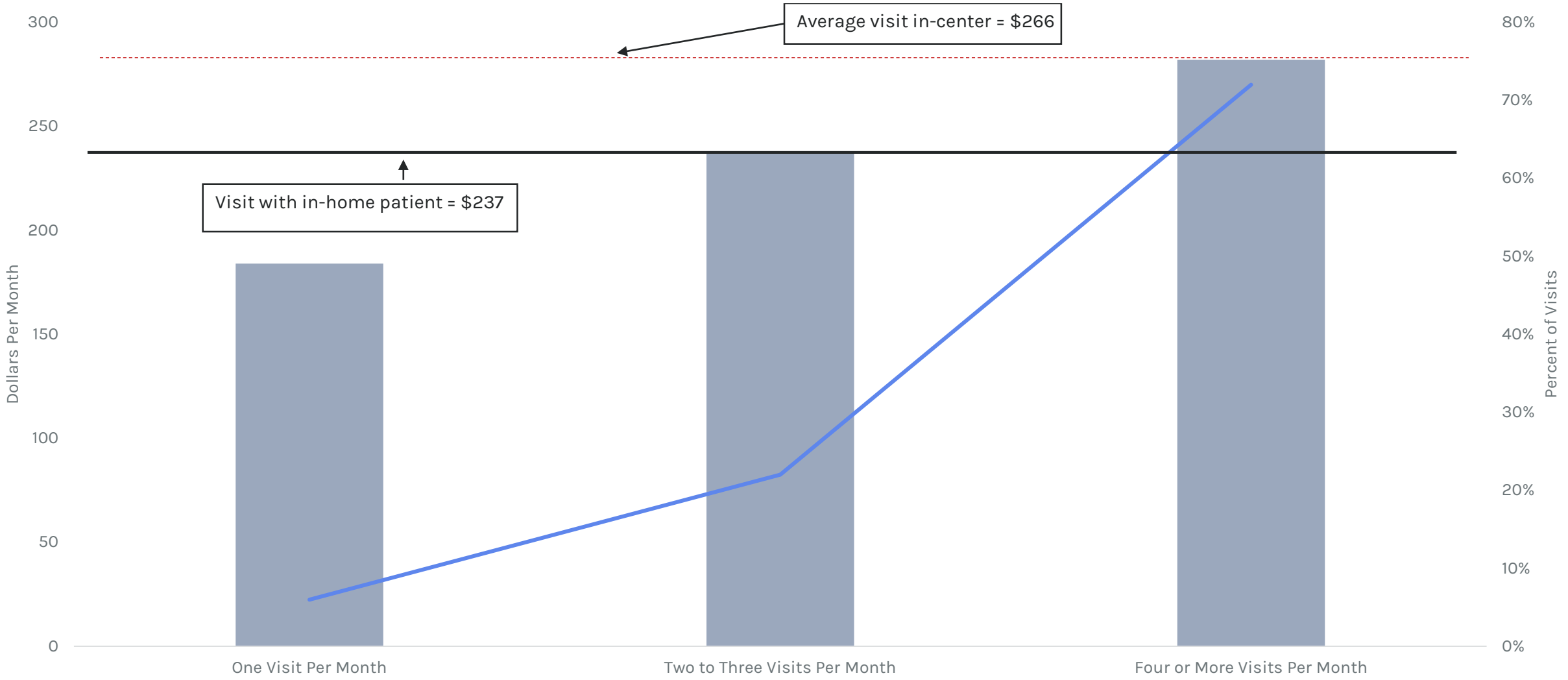
- Center economics designed to maximize capacity or close
- Payment to nephrologist for home visits are lower according to GAO and frequently take longer

Data Source: GAO, "Exploring Barriers and Potential Solutions in Home Dialysis, American Journal of Kidney Disease"

GAO Found Visit Payments Favor In-Center, 2015

HEDGEYE

Payment for in-center based on age, number of visits; for home visits based on age only

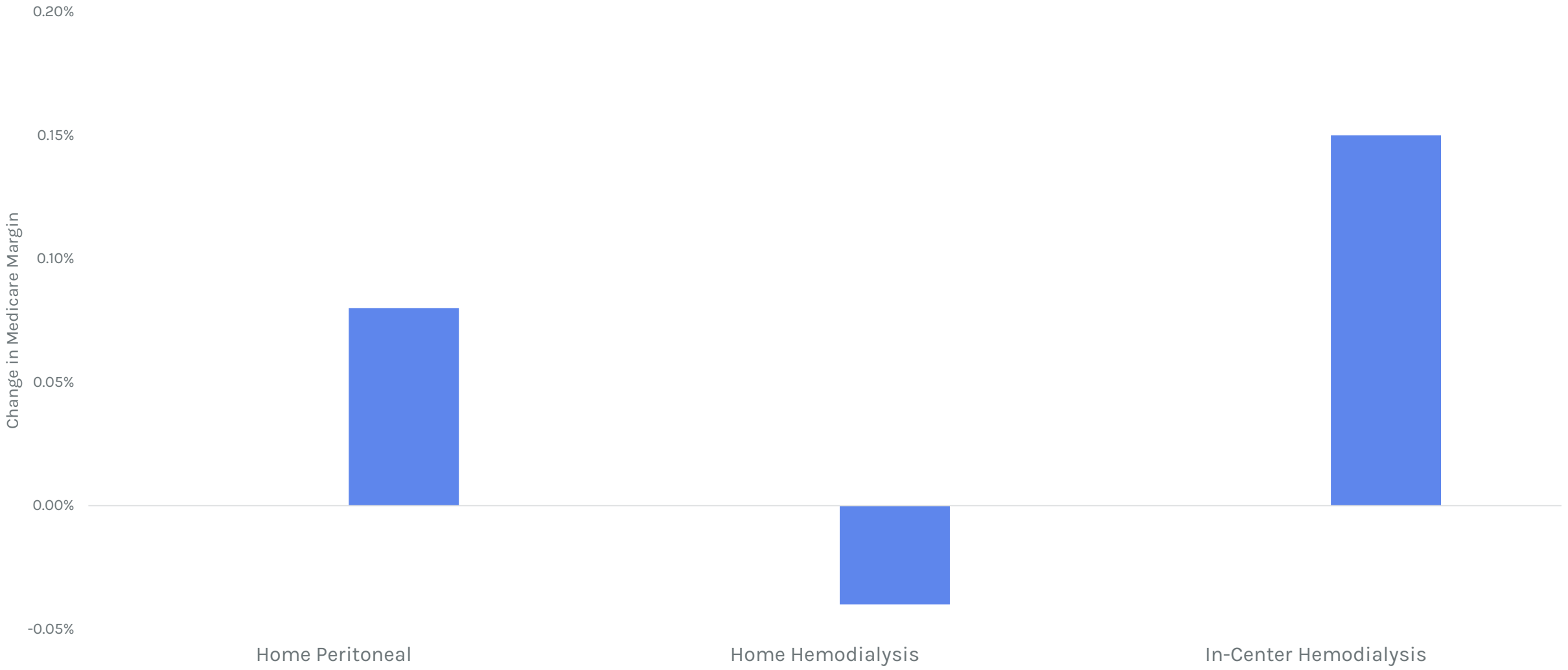


Data Source: GAO

Barriers to Home Dialysis

HEDGEYE

Change in Medicare Margin for Adding One Additional Patient Year

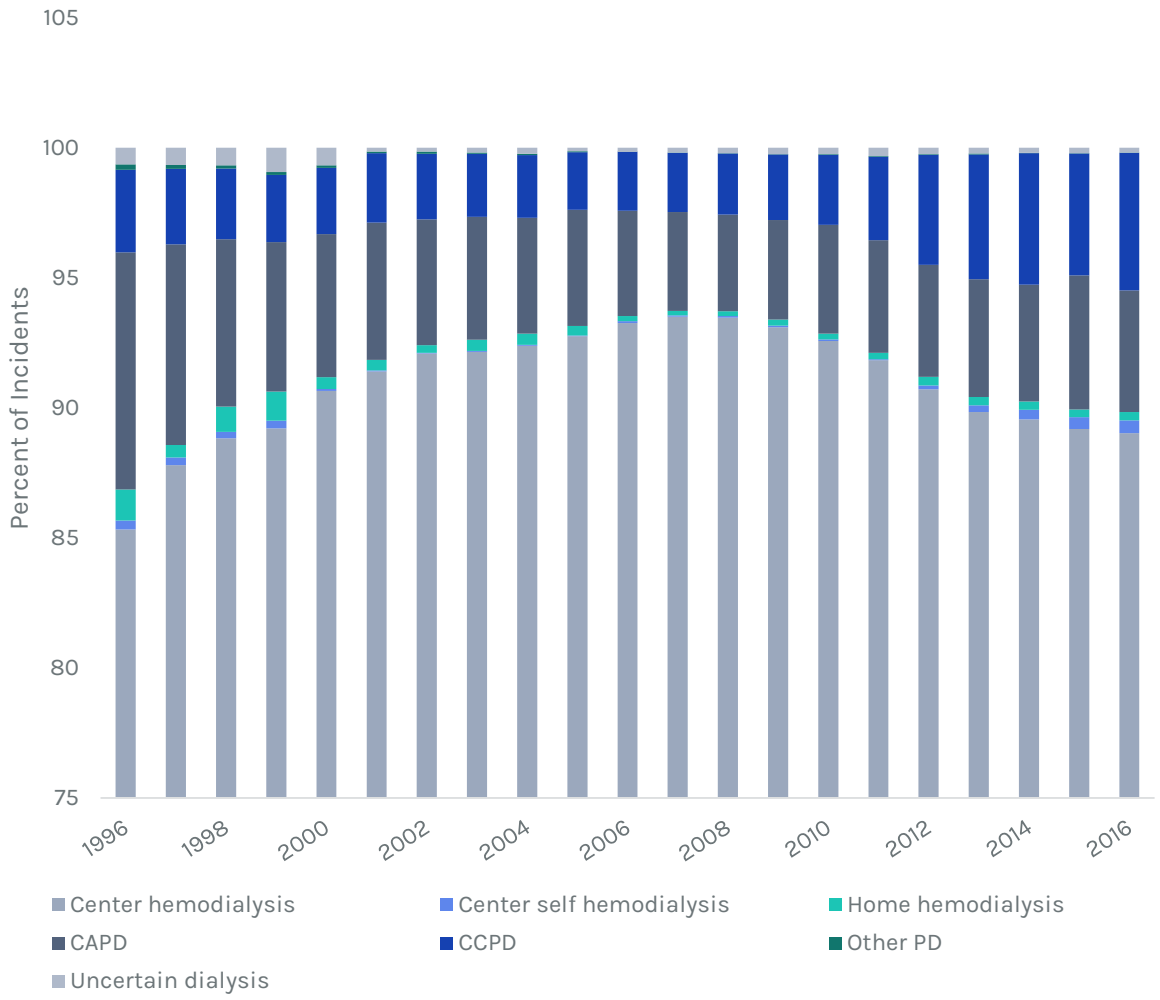


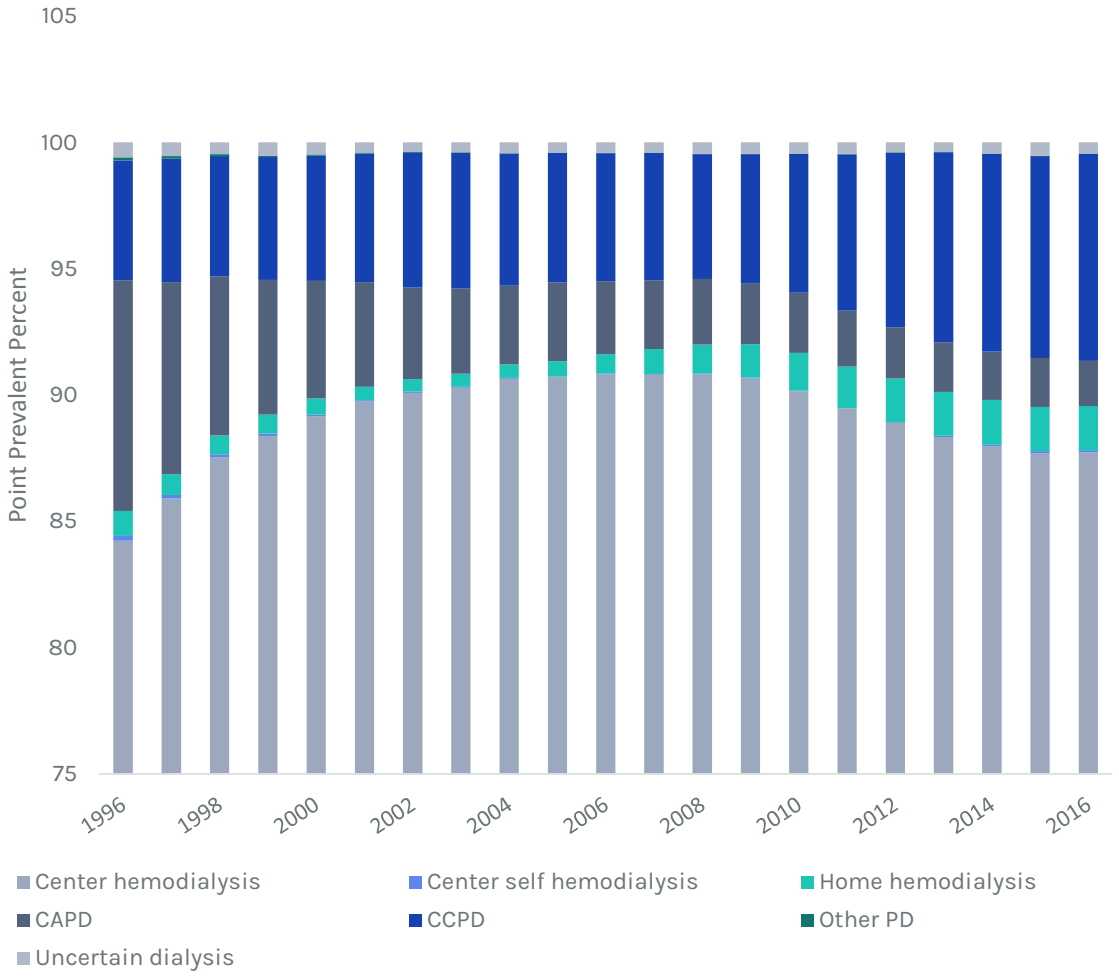
Data Source: GAO

Barriers to Home Dialysis

HEDGEYE

Distribution of Dialysis Options. 1996-2016

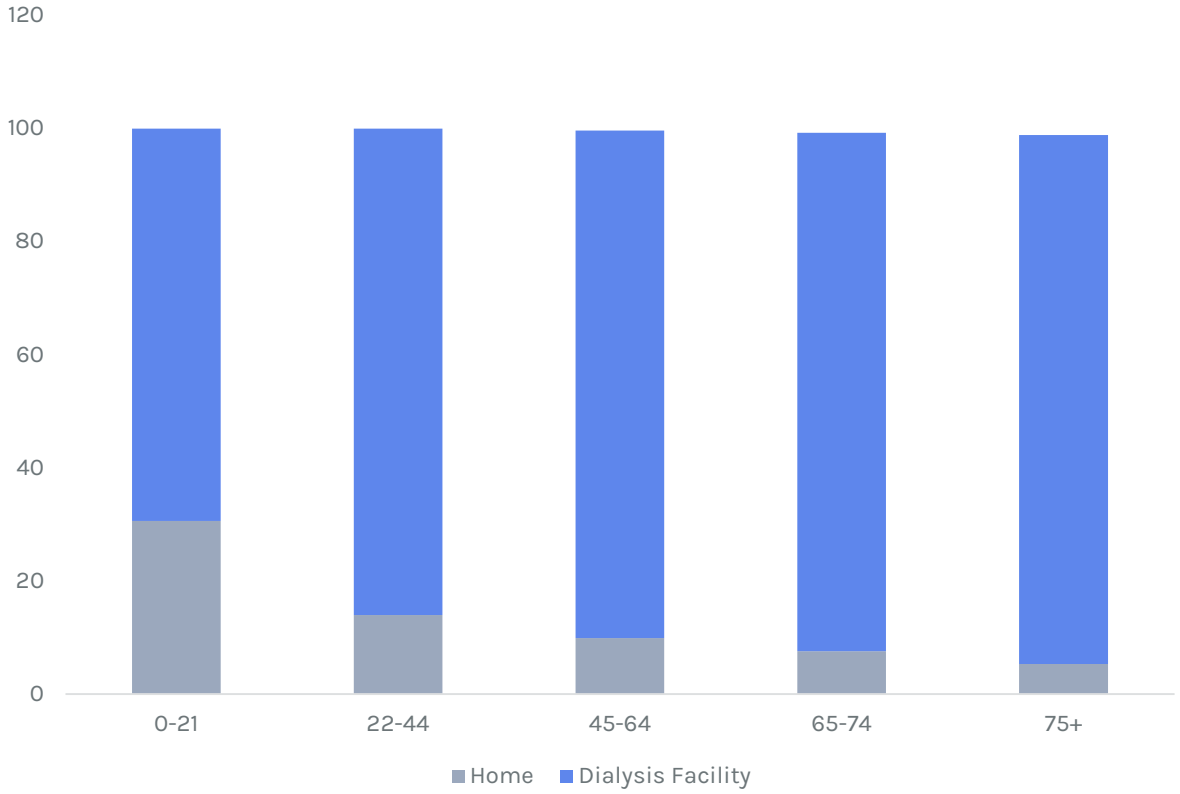


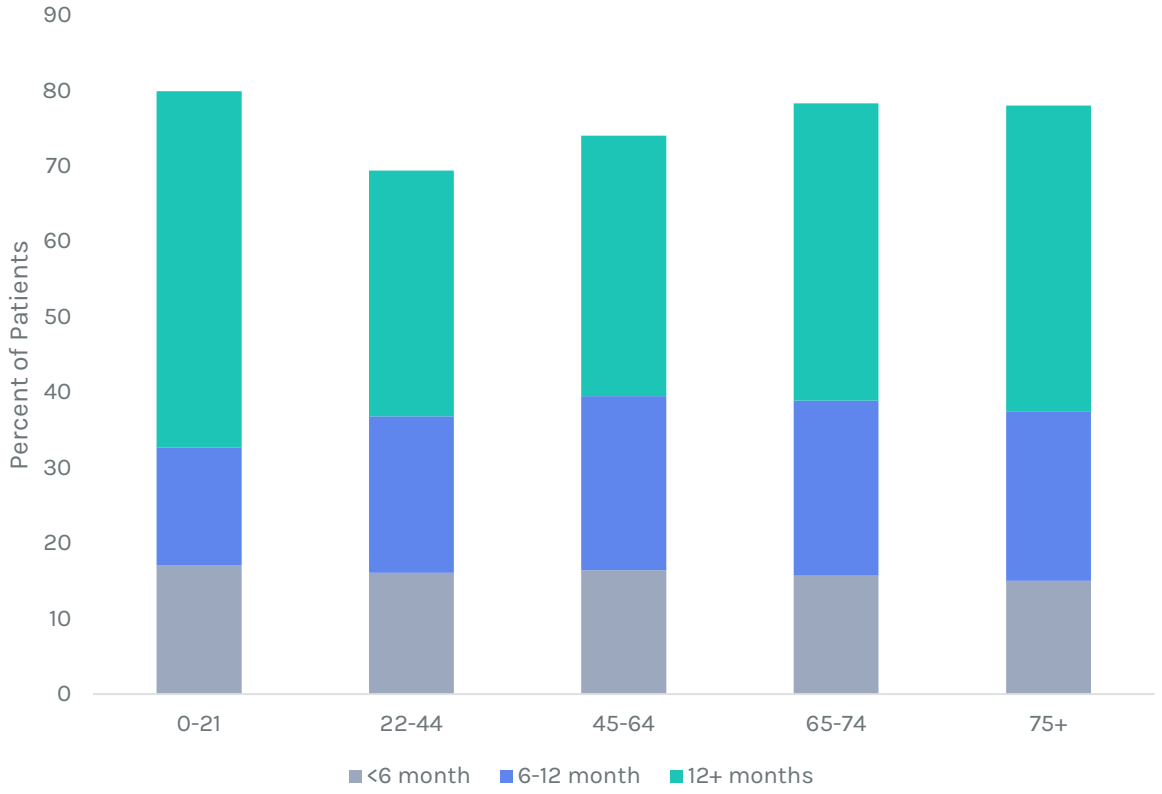


Data Source: US Renal Data System

Barriers to Home Dialysis

HEDGEYE





Site of Initial Dialysis Treatment, 2016

Most patients, except the young, begin treatment in a dialysis facility instead of at home

Pre-dialysis Nephrology Care, 2016

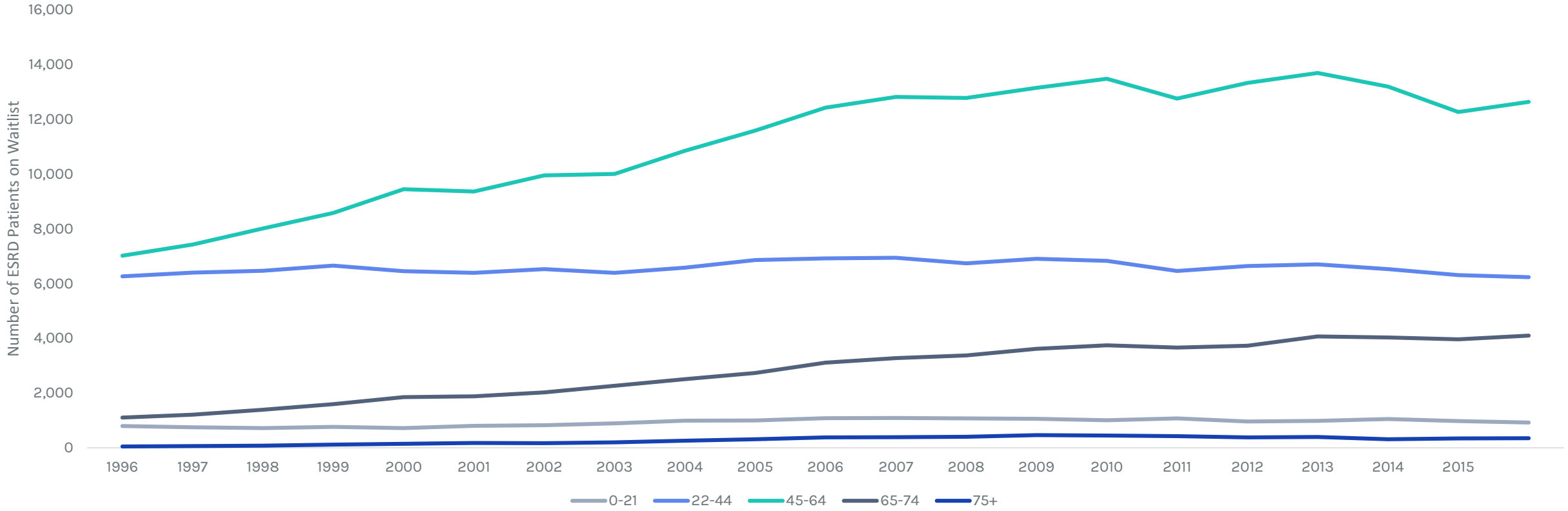
Most patients entering dialysis care have seen a nephrologist, suggesting emergency treatment not a cause of preponderance of in-center care

Data Source: US Renal Data System

Barriers to Transplant

HEDGEYE

People on Transplant Wait-list



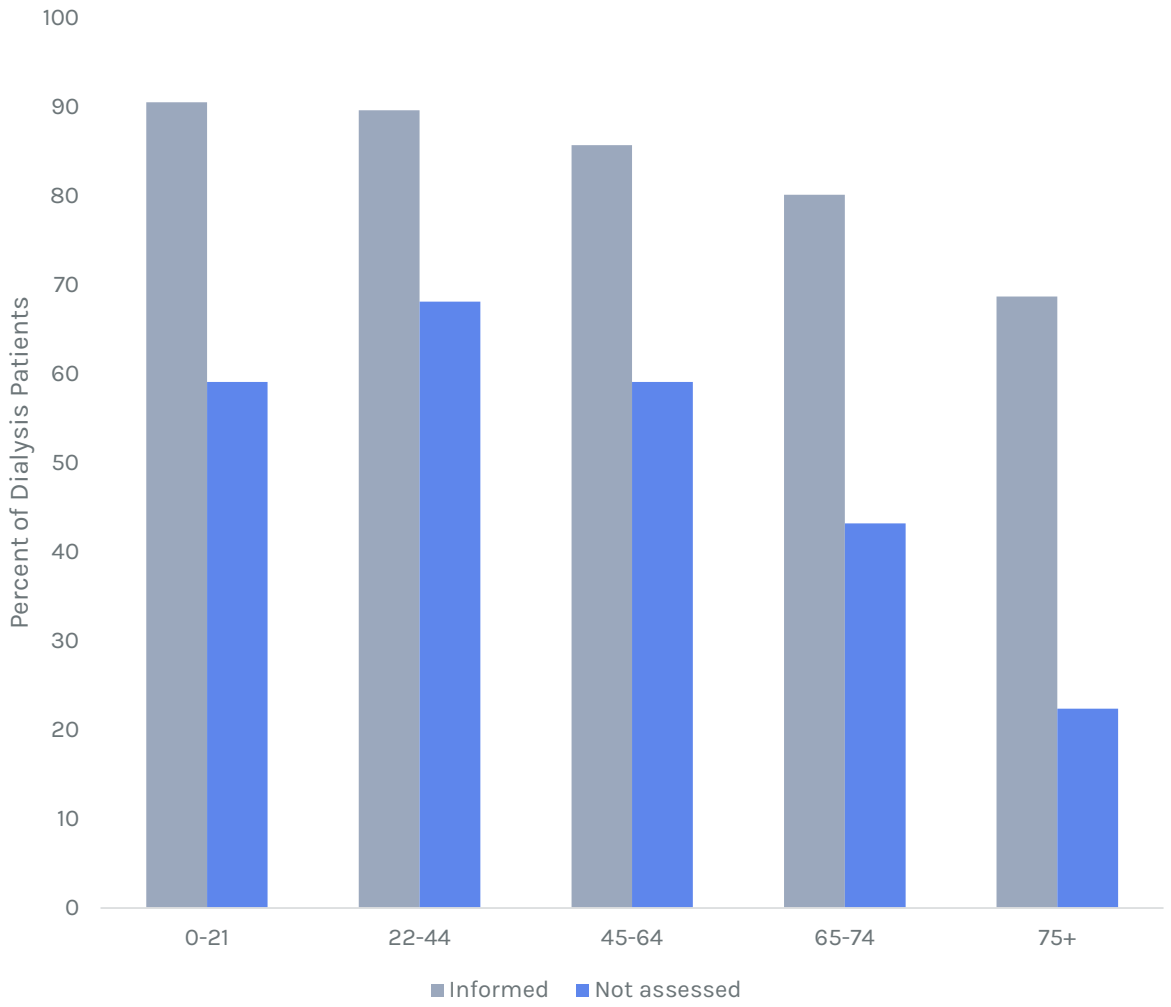
Number of people on wait-list trended down for critical 45-64 age cohort but recovered slightly in 2016

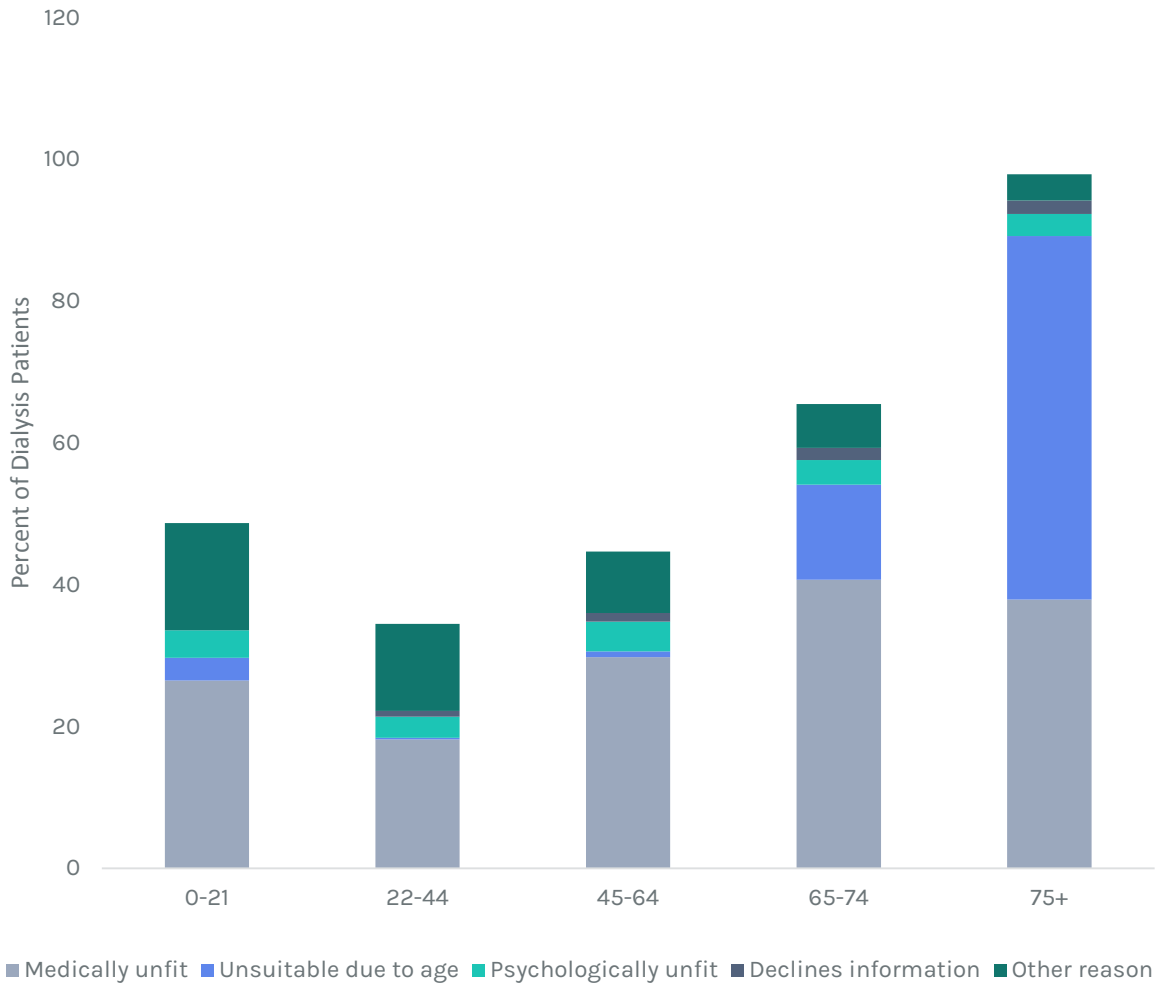
Data Source: US Renal Data System

Barriers to Transplants

HEDGEYE

Patients are Informed but Not Assessed



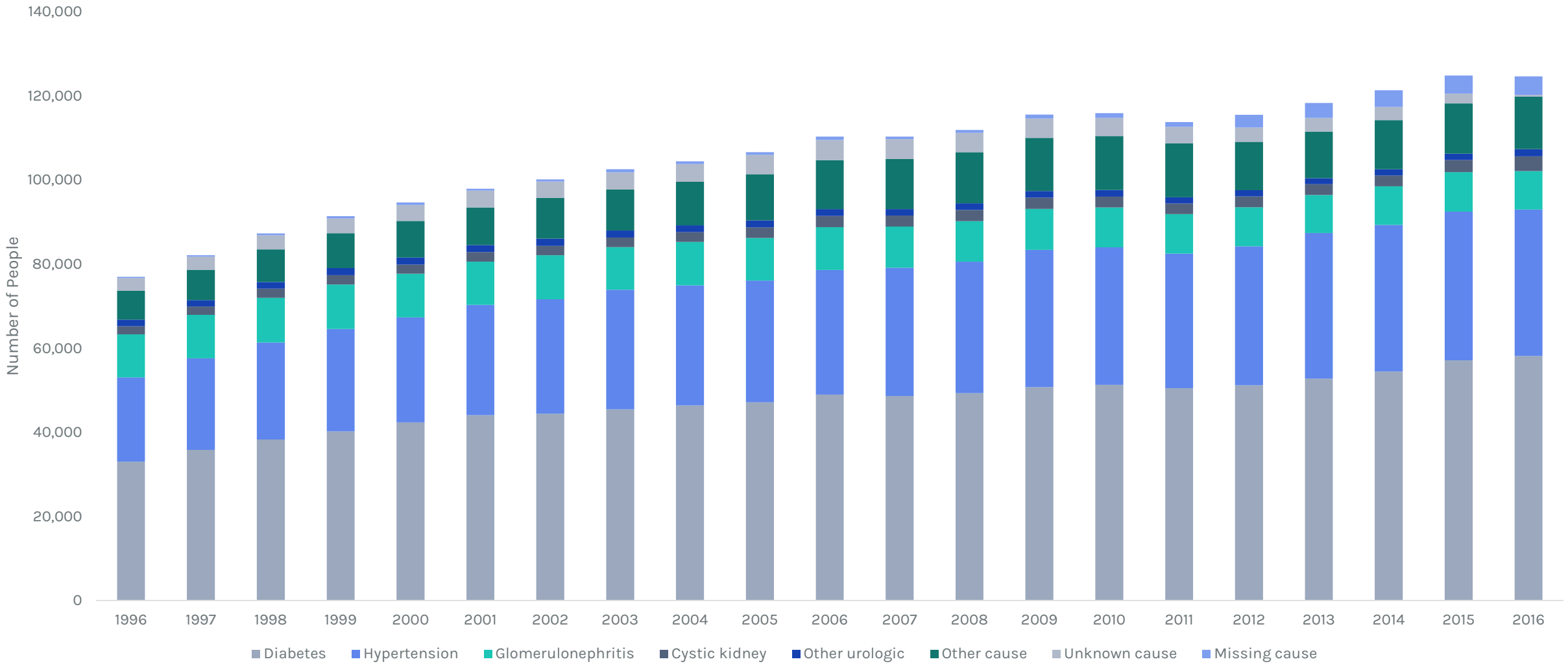


Data Source: US Renal Data System

Barriers to Curing Kidney Disease

HEDGEYE

Uncontrolled Diabetes is the Leading Cause of Kidney Failure



Data Source: US Renal Data System

Meanwhile...California AB 290

HEDGEYE

Regulates Insurance Reimbursement When Financial Interests Pay Premiums

- Limits reimbursement for in-network facilities to higher of Medicare rate or arbitration-determined rate, whichever is higher
- Limits reimbursement for OON facilities to lower of Medicare rate or arbitration-determined rate , whichever is lower
- Directed at dialysis facilities and addiction treatment centers
- Regulates disclosure to plan members the Medicare benefit
- Requires disclosure of third party payments to health plans; prohibits health plans from denying coverage

Data Source: Hedgeye Estimates

Third-Party Payments Rulemaking

HEDGEYE

Evolved from minor administrative matter to economically significant

HHS/CMS **RIN:** 0938-AT11 **Publication ID:** Spring 2019

Title: Conditions for Coverage for End-Stage Renal Disease Facilities--Third Party Payments (CMS-3337-P)

Abstract:

This proposed rule would establish requirements for third parties that provide financial assistance to patients for premiums to enroll in coverage provided by an individual market health plan.

Agency: Department of Health and Human Services(HHS)
RIN Status: Previously published in the Unified Agenda
Major: Yes
EO 13771 Designation: Regulatory
CFR Citation: 42 CFR 494
Legal Authority: Pub. L. 111-148, sec. 1321 and 2704 Pub. L. 111–152, secs. 1881(b)(1) and 1882(d)(3) of the Social Security Act
Legal Deadline: None

Priority: Economically Significant
Agenda Stage of Rulemaking: Proposed Rule Stage
Unfunded Mandates: No

Timetable:

Action	Date	FR Cite
Interim Final Rule	12/14/2016	81 FR 90211
Interim Final Rule Comment Period End	01/11/2017	
Interim Final Rule Effective	01/13/2017	
NPRM	07/00/2019	

Regulatory Flexibility Analysis Required: No
Government Levels Affected: Federal
Federalism: No

HHS/CMS **RIN:** 0938-AT11 **Publication ID:** Fall 2018

Title: Conditions for Coverage for End-Stage Renal Disease Facilities--Third Party Payments (CMS-3337-P)

Abstract:

This proposed rule would establish requirements for third parties that provide financial assistance to patients for premiums to enroll in coverage provided by an individual market health plan.

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RIN Status: Previously published in the Unified Agenda
Major: Undetermined
EO 13771 Designation: Regulatory
CFR Citation: 42 CFR 494
Legal Authority: Pub. L. 111-148, sec. 1321 and 2704 Pub. L. 111–152, secs. 1881(b)(1) and 1882(d)(3) of the Social Security Act

Priority: Other Significant
Agenda Stage of Rulemaking: Proposed Rule Stage
Unfunded Mandates: No

Legal Deadline:

Action	Source	Description	Date
Final	Statutory	MMA sec. 902	12/14/2019

Overall Description of Deadline: MMA section 902 requires Medicare final rules publish within three-years of a proposed or interim final rule. Rule may publish before the three-year deadline.

Timetable:

Action	Date	FR Cite
Interim Final Rule	12/14/2016	81 FR 90211
Interim Final Rule Comment Period End	01/11/2017	
Interim Final Rule Effective	01/13/2017	
NPRM	11/00/2018	

Regulatory Flexibility Analysis Required: No
Government Levels Affected: Federal
Federalism: No

Appeared in Spring 2018 Unified Agenda as Third-party Payments in QHPs. Now appears to be directed at dialysis industry.

Medicare Rule-A-Rama

HEDGEYE

Inpatient Rules

- IPPS and LTCH Final – Sent to White House, July 9, 2019
- SNF Final – Sent to White House, July 11, 2019
- IRF Final – Sent to White House, July 11, 2019
- Inpatient Psych Final – Sent to White House, July 12, 2019

Ambulatory Rules

- Hospice Proposed – April 25, 2019, Comment Period Closed June 18, 2019
- ESRD Proposed – Sent to White House, March 26, 2019
- PFS Proposed – Sent to White House, March 26, 2019
- Home Health Proposed – July 11, 2019
- OPPS & ASC Proposed – Sent to White House April 4, 2019

Other

- Third Party Payments to ESRD Providers Proposed – Sent to White House, June 6, 2019
- Modernizing and Clarifying Physician Self-Referral Law Proposed - Sent to White House June 5, 2019
- IPI Drug Pricing Model Proposed – Sent to White House June 20, 2019
- Revisions to Anti-kickback and Beneficiary Inducement Proposed – Sent to White House, June 5, 2019

Data Source: White House, CMS

For more information, contact us at:

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(203) 562-6500