



The Centers for Medicare and Medicaid Services (CMS) reports that national healthcare expenditure (NHE) in 2012 was \$2.8 trillion and is projected to reach \$4.6 trillion by 2020. In other words, in just seven years, healthcare spending is expected to account for \$1 out of every \$5 of Gross Domestic Production (GDP). So, what is driving such a rapid growth? The answers are clear: demographics, government spending, and Obamacare. The growth of the Hispanic healthcare market is one of the biggest untold stories of our time. According to the U.S. Census Bureau, 42% of Hispanics have never had a medical visit, 54% have never seen a dentist and 73% have never been prescribed medicine. By 2025, the Hispanic population will reach 66 million. As Hispanics are increasingly insured under the provisions of Obamacare, health service utilization among this segment is expected to grow dramatically. Government spending, however, is the biggest driver of healthcare spending. In 2012, the combined Medicare and Medicaid expenditure was \$1 trillion. By 2020, these two programs will nearly double to \$1.83 trillion. By comparison, employer-sponsored healthcare spending was \$849 billion in 2012 and is projected to reach \$1.25 trillion by 2020 – a 47% increase. You can find more on these trends on our website, www.mansacapital.com. This edition of our newsletter offers a look at the efforts underway to prepare for the growing healthcare economy. Our Policy and Strategy selections reflect that the Obama Administration, federal and state legislators and providers continue their preparations to meet the growing demand. Our selections for Industrial Activity reveal that hospital systems are redesigning operations to face the future. The Research selection offers a view of what lies ahead. I hope you find this latest edition of our newsletter both interesting and informative.

Ruben J. King-Shaw Jr., Managing Partner & Chief Investment Officer

Policy

Federal

[Critical Part of healthcare law delayed](#)

The House votes to extend a 1- year grace period to virtually all Americans who will be required to obtain coverage by the beginning of January 1, 2014

[Employers with less than 100 employees to be exempt from ACA coverage mandate](#)

Expanding the definition of a 'large employer' to 100 employees would protect a wider range of small businesses and retailers and allow them to grow and hire more workers

[Bipartisan draft bill for physician payments attracts broad support](#)

The draft legislation proposes to repeal Medicare's sustainable growth rate formula and transition to a stable system that is based on rewarding physicians for delivering quality and efficient healthcare to Medicare patients

[HHS issues grants to drive new beneficiaries into Medicaid](#)

The department announced nearly \$32.0 million in grants for local organizations in 22 states to be used to identify and enroll children eligible for Medicaid and the Children's Health Insurance Program (CHIP)

State

[North Carolina makes health cost transparent](#)

The Health Care Cost Reduction and Transparency Act of 2013 will create an online database of what hospitals are paid, on average, for the 100 treatments they perform most frequently, their costs for the 20 most common surgical procedures and 20 most common imaging procedures

[Washington's new law to allow more physician assistants to work](#)

The change could help mitigate the shortage of primary care providers that is anticipated next year when the state expands Medicaid and other health reforms kick in

[Procedural changes to Kansas Medicaid system](#)

A key change is that Kansas has to adopt a single application for individuals that can be used for people wanting to obtain coverage through Medicaid, CHIP, and federal tax credits through the exchange

[NYS sets health exchange rates for insurers](#)

The state's health benefit exchange is expected to cover more than 1.0 million uninsured New Yorkers, at the same time, represent a 53.0% reduction on last year's direct pay individual rates

[Missouri insurers to cover telemedicine cost as per new law](#)

The legislation requires that if a service is covered in an in-person visit, then the same service must be covered if received remotely

[New law in Texas to avert access issues](#)

The bill establishes physician-led teams and creates a more collaborative, delegated practice among physicians and advanced practice registered nurses or physician assistants

Strategy

[Alternative medicine gets a boost by Obamacare](#)

The law includes a provision that insurance companies should not discriminate against any state-licensed health provider which includes practitioners such as chiropractors

[Doctors opting out of Medicare](#)

According to CMS, the number of doctors who opted out of treating patients enrolled in Medicare last year nearly tripled from three years earlier

[Obamacare not affecting Job Growth](#)

Employment growth in industries with low levels of health insurance coverage has outpaced that of companies more likely to cover their workers

[5.0% of the beneficiaries make up 54.0% of Medicaid spending](#)

According to CMCS, hospitals can cut costs and improve patient care by setting up care delivery models that target Medicaid patients who have complex, unaddressed health issues and a history of frequent encounters with healthcare providers

[Patient costs set to rise by 20.0% as doctors sell practices](#)

If doctors choose to sell their practice, patients can see prices rise by as much as 20.0% but if they close, patients lose a trusted resource

[Hospital admissions decline as patients' costs increase](#)

Hospitals also are being squeezed by the Affordable Care Act and related government efforts to improve care, curb costs and eliminate excessive readmissions

[Health exchanges to have 18.0% lower than expected premiums for 2014](#)

As per HHS, data from 10 states and the District of Columbia shows preliminary 2014 premiums on the lowest-cost mid-range silver plans in the marketplaces to be 18.0% percent lower on average than earlier administration and congressional estimates

[Use of EHR increases among providers and citizens](#)

According to CMS, approximately 80.0% of eligible hospitals and more than 50.0% of eligible professionals have adopted EHRs and received meaningful use incentive payments from Medicare or Medicaid

[Pioneers ACOs programs shows reduction in costs](#)

More than 40.0% (13 out of 32 pioneer ACOs) produced shared savings with CMS, generating a gross savings of \$87.6 million in 2012 and saving nearly \$33.0 million to the Medicare Trust Funds

[Health insurance marketplace to open on Oct. 1](#)

According to Marilyn Tavenner, administrator of the Centers for Medicare & Medicaid Services, the federal government is set to open the health insurance marketplace while trying several tactics to persuade young people to sign up for health insurance

[Outpacing traditional healthcare, investments in digital healthcare grows by 12.0%](#)

Nearly \$850.0 million has been invested in 90 different companies so far this year, and 25.0% more deals were made in 2013 compared with midyear 2012

Industrial Activity

[VC funding reaches record high in 2013](#)

There were 168 funding deals in Q2 compared to 104 in Q1 and 163 for the whole of 2012

[Community Health Systems Inc. buys Health Management Associates Inc. for \\$3.9 billion](#)

The proposed mega-merger, which would result in Community Health of Franklin, Tenn., owning or operating 206 hospitals in 29 states, is part of a national hospital system consolidation trend tied to changes coming under the Affordable Care Act

[Kareo acquires ECCO Health](#)

The acquisition of ECCO positions Kareo well for the expected growth in integrated physician RCM solutions, the market for which was expected to grow from \$1.1 billion to \$14.6 billion by 2016

[Humana to acquire American Eldercare](#)

Health benefits and wellness company Humana Inc. has signed a definitive agreement to acquire American Eldercare Inc., Florida's largest provider of nursing-home-diversion services with \$75.0 million in annualized revenues

[Almost Family invests in Indiana](#)

The combination of this investment with existing Indiana operations expands Almost Family's reach to nearly the entire state, making it one of the largest home-health providers in the state

[23 Georgia hospitals form alliance](#)

A group of 23 hospitals in central and South Georgia have formed an alliance to pool resources, coordinate information and manage population health in the region

[Mount Sinai Medical Center combines operations with Continuum Health Partners](#)

The boards of Mount Sinai Medical Center and Continuum Health Partners voted to create a combined organization called Mount Sinai Health System, forming the largest not-for-profit hospital system in New York

[15 year alliance formed between Georgia Regents and Philips](#)

The alliance will create a first of its kind delivery model in US, similar to a bundled care delivery model

[Healthsense acquires WellAware Systems](#)

The deal adds to Healthsense's monitoring capabilities to technologies it offers to long-term care and other senior-services providers

Research

[Health reform law helps cover uninsured Americans](#)

As per HHS, more than 1,000 of the nation's federally qualified community health centers have received a total of \$150.0 million in grants to enroll uninsured Americans in coverage under the health reform law

[Delay in health care reform mandate won't change the coverage](#)

Under full implementation of the Affordable Care Act, the rate of uninsured Americans drops to 10.1% from 19.2%, according to the report. Without the employer mandate, the rate still drops to 10.2%, a 0.1% difference

[Employers relieved due to delay in Obamacare penalty](#)

The new study found that national health reform will add 2.0% to 3.0% to health care costs for 2014, due to new fees and health plan design changes

[Majority of the private companies already offer insurance to employees](#)

A survey from PwC, conducted before the Obama administration announced the delay, found that 56.0% of private companies already comply with the requirement to offer healthcare coverage to their employees

[20,000 jobs added by healthcare industry to the economy](#)

According to the Bureau of Labor Statistics, the healthcare industry has gained 20,000 jobs including a comeback from the hospital sector

[Health care changes to have its pros and cons](#)

Medical device manufacturers will be the most vulnerable, for-profit and nonprofit hospitals will face risks and insurers will benefit the most during the transition from fee-for-service models to value models

[Physicians support cost-containment initiatives but are mixed on bundled payment models](#)

While most physicians feel some degree of responsibility to address healthcare costs, they will side with patient need over expense

[Increasing Medicaid enrollment impacts health plans' finances](#)

According to Milliman, while Medicaid enrollment in managed care organizations (MCOs) grew 8.0% and associated revenue grew 19.0% between 2011 and 2012, financial results decreased significantly with the average medical loss ratio (MLR) increasing from 85.5% to 87.9%

[Dissatisfaction with current EHR systems have many providers turning to new vendors](#)

Up to 23.0% of physician practices report-in their current EHR system for a new brand altogether, and, according to a new Black Book Rankings report, there were only a handful of vendors that came out on top

[Heavy investment does not improve hospital heart service](#)

Hospitals accessed about \$4.0 billion to add angioplasty services between 2004 and 2008, but the evidence proved that services didn't do much to improve timely access to care

[79.0% of IT companies are hiring](#)

According to HIMSS Analytics, hiring has been robust for healthcare providers and technology vendors

[Decline in use of imaging](#)

Research shows that the number of physician visits by patients 65 years of age or older resulting in an imaging exam is consistently trending downward – from 12.8% in 2003 to 10.6% in 2011

[Patients tend to participate in their own care due to frequent internet use](#)

According to the Journal of Medical Internet Research, patients who use the internet more frequently are more likely to embrace patient-centered healthcare efforts and participate in their own care

About Mansa Capital:

Mansa Capital is a health care private equity investment firm specializing in high growth companies in the health care services and health care technology sectors. Mansa focuses on companies as they prepare for expansion, acquisition, privatization or IPO. We integrate strong expertise in health care policy, regulation, and reimbursement with vast experience in health care operations, marketing, finance, and medical administration. Mansa makes equity investments in operating companies with enterprise values up to \$150 million. We build shareholder value by working with management to implement strategic initiatives that grow top-line revenues. Mansa's Managing Partner and CIO, Ruben J. King-Shaw Jr., directs the firm's investment activities, in addition to managing the firm's equity portfolio. The firm has offices in Boston, MA, New York, NY, and Miami, FL.

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