



Welcome to the inaugural issue of Mansa Capital's monthly newsletter. Our goal through the newsletter is to provide our LPs, partners and company CEOs with a summary of some of the latest developments which continue to shape the \$2.5 trillion U.S. healthcare economy. Because our investment, value creation and risk management decisions are strongly influenced by the regulatory framework, each edition of our newsletter will open with a section highlighting current developments in Federal and State healthcare policy. Additional sections will highlight some of the innovative strategies, leading companies and important research that are shaping the competitive landscape. Where we can, we will offer our view on what these emerging trends mean for you as investors, leaders, providers and consumers of healthcare services and healthcare information technology. We look forward to receiving your comments and suggestions. On behalf of all the Partners at Mansa Capital, thank you for your commitment.

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

Policies

Federal

[HHS Secretary Kathleen Sebelius calls for review of policies affecting patients needing lung transplants under the age of 12](#)

When a 10 year old girl was denied the life-saving surgery because of her age, officials claimed that the original system didn't establish criteria for children younger than 12 because of lack of data

[Kaiser Family Foundation : Medicare Advantage program increases 10.0% over last year](#)

28.0% of Medicare beneficiaries are enrolled in the Advantage plan with highest participation in Minnesota and lowest in Alaska and Wyoming

[As States decide on their Medicaid expansion plans, Arizona Senate passes an \\$8.8 billion state budget that includes the Medicaid expansion](#)

The healthcare reform law calls for states to raise the threshold for coverage to at least 138.0% of the federal poverty level

[Senator Ron Wyden believes Congress should change the Accountable Care Program](#)

Wyden believes that Congress should instead focus on addressing Medicare chronic diseases

[Medicare could have saved \\$910.0 million, or 38.0%, on lab test payments](#)

According to a study by the Office of the Inspector General, Medicare paid between 18.0% and 30.0% more than other insurers for a total of 20 high-volume or high-expenditure lab tests

[CMS reverses position on coverage for tumor scans](#)

Physicians, Patients, and Medical imaging companies talk the CMS into changing direction

[Medicare fraud explodes over past two years as the Government revokes the ability of 14,663 providers and suppliers to bill Medicare](#)

The figure is almost 2.5x higher than the previous two years. The government has also recovered \$14.9 billion in Medicare fraud money

[The Office of the National Coordinator for Health Information Technology and the Office of the Assistant Secretary partner with one another to develop an interoperable data infrastructure](#)

A total of nearly \$200.0 million was made available through the Patient Protection and Affordable Care Act for building such an infrastructure

[CMS Announces National Action Plan to prevent Health Care-associated infections that occur during the course of receiving healthcare services](#)

More than 1.0 million such infections occur each year that cost as much as \$33.0 billion to treat. Beginning in 2015, CMS will dock hospital payments by 1.0% if a patient acquires a condition while under their care

[HHS issues final rule on individual health insurance mandate](#)

Although the law requires everyone to have health insurance, the final rule exempts various classes of people from the individual mandate -- the broadest class being those who simply cannot afford the coverage

[Federal regulators asked to go slow on mHealth regulation](#)

Various stakeholders differ over the anticipated depth and timing of mobile app regulation

[ONC outlines the milestones and barriers to the HITECH Act](#)

In 2012, nearly 75.0% of office-based physicians had adopted an EHR, with 40.0% having some advanced functionalities. Those doctors achieved at least 50.0% adoption rates for 12 of the 15 meaningful use stage core objectives

State

[Michigan's Public Health Code 368 will allow nurses to diagnose and treat patients](#)

President of the Michigan State Medical Society feels it can be bad for Michigan while the President of the Michigan Council of Nurse Practitioners said the Senate bill is modeled after measures in 18 other states

[California Legislature passed a major piece of the federal Affordable Care Act](#)

The plan will expand Medicaid to 1.4 million low-income Californians. The action came a day after the Legislature passed the main budget bill outlining a \$96.3 billion spending plan for the fiscal year that starts in July

[Maine signs a bill authorizing to pay \\$490.0 million owed to Maine's hospitals for Medicaid services](#)

Of the \$490.0 million, the state will pay \$183.5 million while the rest would be paid by the federal government. The Governor remained silent on whether he plans to approve the state's budget or back a proposal to expand healthcare coverage under the federal healthcare overhaul

[Federal health officials have given final approval to a plan to overhaul Florida's safety net health insurance program](#)
Florida lawmakers passed widespread bills allowing them to expand a program that allows for-profit providers to determine the healthcare of 3.0 million of the state's poorest residents

[As part of Gov. Bobby Jindal's privatization program, 4 facilities of Louisiana State University \(LSU\) leased to non-profit corporations](#)

Privatizing nine of the 10 public hospitals and their clinics will save the state an estimated \$100.0 million in the 2013-14 budget that takes effect July 1

[Pennsylvania Governor insists that the federal government make an exemption on the movement of children from Children's Health Insurance Program to Medicaid](#)

Yet a public interest law center has challenged the Governor's claim and the number of beneficiaries. It is of the opinion that the children will be better off under Medicaid

[Insurers planning to participate in the new health insurance exchange project significantly higher costs to cover Ohioans](#)

Fourteen companies have proposed rates for a total of 214 different plans with an average cost of \$420.0 or 88.0% higher than the state's current average cost

[Arizona Gov. Jan Brewer has signed the Telemedicine Reimbursement Parity Act](#)

Law requires telemed services in rural areas of Arizona to be covered by health insurance

[After a legislative compromise on low-income healthcare, Iowa starts the complicated process of implementation](#)

People with incomes up to 100.0% of the poverty line would go on a new state-run health plan while those with incomes from 101.0 to 138.0% of the poverty line would get private health plans on the new healthcare exchanges

[A legislative effort in California which to force non-profit hospitals to justify their tax-exempt status has been deferred for the year](#)

The hospitals will be required to provide more details about the charitable care they provide

[As per a court ruling, Kentucky Spirit Health Plan doesn't have the right to withdraw early from a contract with the state as a Medicaid managed-care organization](#)

Kentucky Spirit would be in breach of the contract and would have to pay damages if it pulls out of the state on July 5, 2013 as it intends. The Company plans to pull out and asserts that the state had provided incorrect information that led to financial losses of more than \$120.0 million

[Wisconsin passes the state budget with its own version of Medicaid plan](#)

Republican lawmakers made one sizable addition to Walker's Medicaid plan consisting payments of up to \$73.0 million to hospitals to cover possible increases in uninsured care but it is uncertain whether he will include it in the final budget

[Push from federal agencies to drive Health IT](#)

HHS is encouraging researchers and developers to leverage data about hospital pricing, Medicare spending and other aspects of healthcare to build new applications and technologies that could lower costs and improve patient care

Strategy

[CMS actuaries come out with the out-of-pocket healthcare spending for 2011](#)

Patients paid nearly \$307.7 billion out-of-pocket for healthcare services

[Healthcare job growth slows in May](#)

Hospital jobs declined by 5,900 in May as compared to a rise of 2,700 in April. Meanwhile, ambulatory services jobs stopped the fall as they increased by 15.3% in May 2013

[Hospitals are achieving cost savings and improved care under the new law](#)

Readmission rates dropped to 17.8% in the Q4 2012, down from between 18.5% and 19.5% during the past five years

[Senior Vice President at a health IT consulting company identifies top 4 hurdles to a successful EHR implementation](#)

Four generally unanticipated issues that providers encounter are network issues, untested upgrades, ineffective template design, and genuine application performance issues

[Telemedicine patient monitoring market grew from \\$4.2 billion in 2007 to more than \\$10.0 billion in 2012, a CAGR of 18.9%](#)

An aging population, increase in healthcare cost, advancing technologies and the often cost effectiveness of patient monitoring are contributing to market growth

[During the first 9 months of 2012, more than 45.0 million Americans lacked health insurance](#)

The survey data was reported by the Centers for Disease Control and Prevention. Overall, 57.5 million people were uninsured for at least part of the 12 months before being polled

[Consumers saves \\$3.9 billion in health insurance premiums](#)

Of the \$3.9 billion, \$500.0 million in excess premiums will be rebated to 8.5 million people in 2013, while the rest of money is reflected as upfront value in the plans. 2012 savings are more than triple the \$1.1 billion from 2011

[Healthcare Producer Price Index \(PPI\) remain steady in May](#)

According to the Federal Bureau of Labor Statistics, U.S. healthcare prices remained flat from April to May 2013. The May PPI was up 1.1% as compared to the previous year

[Fitch says hospital companies are experiencing systemic shifts in care delivery](#)

In spite of an improving economy, for-profit hospitals are experiencing persistent weakness in patient volume growth. Same-hospital admissions dropped 3.8% on average for the Fitch-rated group of companies while same-hospital adjusted admissions dropped 2.7%

[Additional checks for hospitals to ensure patient safety](#)

The newly released "Checklists to Improve Patient Safety" focuses on 10 quality improvement areas targeted by the federal government's hospital engagement networks (HEN)

[AHA recommends changes to IRS rule which would clarify the enforcement of community health needs assessments \(CHNA\)](#)

According to the AHA, the proposed rule improves the IRS' 2011 guidance to reduce the burden on tax-exempt hospitals. But in order to satisfy the proposed requirements, it could take thousands of hours and cost tens of thousands of dollars

[Several Pioneer ACOs may exit Medicare](#)

As many as nine of 32 Pioneer accountable care organizations, the name given to Medicare's first and highest-risk test of the payment model, may exit the program, according to the CMS, and at least four have started to notify providers

[Walgreen, CVS diversify with clinics](#)

The moves are indicative of the continued push by retailers into healthcare, buoyed by the Patient Protection and Affordable Care Act

Portfolio Companies

[Independent Living Systems \(ILS\) acquires Royal Health Care \(Royal\)](#)

Royal Health Care (Royal) is a business and technology service provider delivering fully integrated third-party administrative solutions for Medicare Advantage, Medicaid and Specialty plans

Industrial Activity

[Parallon Business Solutions to acquire the Outsource Group](#)

The transaction is expected to close in the third quarter. Terms of the deal were not disclosed

[Four healthcare systems and IBM have joined the Premier healthcare alliance in a data analytics venture](#)

The venture will be called Data Alliance Collaborative (DAC) and will try to find ways to better integrate electronic medical record systems with other sources of data. DAC will initially focus on using data analytics to reduce hospital readmissions and ensure patients take prescribed medications

[Vitera Healthcare Solutions Announces Acquisition of SuccessEHS](#)

With the addition of SuccessEHS's customer base, Vitera will now serve more than 10,500 medical organizations and over 415,000 medical professionals nationwide, including more than 85,000 physicians

[Baylor Health Care and Scott & White HealthCare ink merger agreement](#)

The combined value of the organization would be \$7.7 billion and will include 42 hospitals, 350 patient care sites, and 4,000 active physicians

[PaySpan Acquires Assets of mPay Gateway](#)

This transaction, in conjunction with PaySpan's Patient-Centered Financial Home, creates a unified reimbursement solution that will enable physicians, hospitals and other healthcare providers to manage patient payment collections more efficiently and reduce the administrative complexity of patient financial responsibility

[Cottage Health System and Sansum Clinic Sign Letter Of Intent](#)

The parties will develop an integrated health system. The transaction would bring together the three hospitals of Cottage Health System and Sansum Clinic's twenty-three ambulatory sites

[Tenet Healthcare to acquire Vanguard](#)

In the all-cash transaction, Tenet will pay \$21.0 per share. The acquisition valued at \$4.3 billion includes the assumption of \$2.5 billion debt. Tenet also anticipates annual savings of \$100.0 million to \$200.0 million and for the transaction to be accretive to earnings in the first year

[Kindred Healthcare is selling eight nursing centers to Signature Healthcare for about \\$49.0 million while acquiring assets in Arizona, Virginia, and Florida](#)

Transaction will allow Kindred to reduce its debt which currently stands at approximately \$350.0 million

[CareCloud of Miami, FL raises \\$20.0 Million](#)

Tenaya Capital led the investment which included returning investors Norwest Venture Partners and Intel Capital. This round brings the total funding to \$44.0 million

[Constellation Software acquires QuadraMed](#)

QuadraMed provides information technology products and services for the healthcare industry

[Healthation Inc. receives \\$14.0 million in a financing round led by ABS Capital Partners](#)

Also participating in the Series B round was Hughes & Co. and existing investor SilverStream Capital

[Xerox acquires LearnSomething, Inc.](#)

LearnSomething, Inc. is a provider of custom e-learning solutions and consumer education for the food, drug and healthcare industries. It delivers industry information and educational programs to 85.0% of all U.S. retail pharmacy chains, reaching more than 110,000 retail pharmacists

[U.S. Renal Care \(USRC\) to Acquire Ambulatory Services of America](#)

The deal will nearly double the number of patients USRC serves to about 13,000, in more than 200 outpatient, home, and specialty hospital dialysis programs and facilities in 19 states and the territory of Guam

Research

[TrasUnion says average patient out-of-pocket costs for healthcare have grown by almost 22.0% in 2012](#)

The analysis found that patient out-of-pocket costs for the specified procedures increased from \$1,678.0 in the 4Q 2011 to \$2,042.0 in the 4Q 2012

[Quality and patient satisfaction play a small, yet growing role in determining physician compensation](#)

According to a survey from the MGMA, 3.0% of primary-care physicians' compensation is tied to quality metrics, while specialists report that 2.0% of their compensation is based on quality

[Employers are upping their estimates of how much the healthcare reform law will increase costs](#)

21.0% are projecting 2014 health care reform law related cost increases of 1.0% to 2.0%, while 18.0% expect cost increases of 3.0% to 4.0%. Nineteen percent of employees expect the cost to increase by at least 5.0%. Meanwhile, 32.0% of respondents didn't know the cost impact

[Number of retail health clinics is expected to double by the end of 2015](#)

Accenture forecasts that the number of clinics will double from 1,418 at the end of 2012 to 2,868 in 2015, an increase of 20.0% to 25.0% per year

[Medicare could save \\$1.4 billion per year](#)

According to Annals of Internal Medicine, savings can be achieved by pushing doctors to prescribe generic drugs

[Medicare spending for chronically ill patients averaged at \\$69,947.0 nationally](#)

According to data analyzed by the Dartmouth Atlas, Medicare cost is 15.2% higher than 2007 cost. The cost ranged from \$112,263.0 in Los Angeles to \$46,563.0 in North Dakota

[More than \\$200.0 billion of avoidable costs on medicines incurred each year](#)

According to IMS Institute for Healthcare Informatics, the costs can be avoided if medicines are used responsibly by patients and healthcare professionals

[Newly insured to deepen primary care doctor gap](#)

Association of American Medical Colleges projects the shortage of primary care doctors will reach almost 30,000 in two years and will grow to about 66,000 in little more than a decade

[PwC predicts medical cost trend for 2014](#)

Cost trend is expected to be lower at 7.5% for 2013 as compared to 6.4% for 2014

[Scope for lowering costs for patients in the top portion of Medicare spending through better outpatient care may be limited](#)

According to JAMA, only a small percentage of higher-cost Medicare patients appeared to be related to preventable emergency department visits and hospitalizations, limiting the ability to lower costs

[American Hospital Association \(AHA\) reports finds that most hospital mergers were not anticompetitive](#)

90.0% of transactions involving two parties in the same market were in a metropolitan statistical area with at least five competing hospitals

[President Obama's healthcare law will increase the number of self-employed Americans by more than 11.0% in 2014, or by 1.5 million](#)

The report criticized the status quo in health insurance, saying it encourages "job lock", when workers are wary of starting their own ventures because non-group coverage is unpredictable and expensive

[RAND Corp. conducts an independent study on the economic impact of Medicaid expansion under healthcare reform](#)

The research was focused on 14 states that were among the first whose governors said they would not support the expansion. The analysis found that if those 14 states do not expand Medicaid, 3.6 million more people will go uninsured, the state governments will spend an additional \$1.0 billion on uncompensated care in 2016, and they will forfeit \$8.4 billion annually in federal payments

[More employers are considering new approaches to reimburse plan participants for claims expenses and encourage them to use providers with the best medical outcomes](#)

According to a research by Aon Hewitt, of the 800 large and midsize employers, 62.0% are considering redesigning their plans, 59.0% of respondents intend to participant directly, and 38.0% of employers plan to join cooperative purchasing programs with other employers

[The medical loss ratio provision of the Affordable Care Act saved consumers \\$2.1 billion in 2012](#)

Under the law, insurers must spend 80.0% of premiums they take in on individual policies and 85.0% for group policies on medical expenses. Premium revenues exceeding the Medical Loss Ratio cap have to be rebated to consumers

[Price transparency market to grow to \\$3.0 billion by 2016](#)

Growing enrollment in high-deductible health plans will be a major driver of the move toward healthcare price transparency. The total market for price transparency products and services was \$540.0 million in 2012 and will increase to \$3.0 billion, a CAGR of 55.0% from 2012 to 2016

[Fewer than 1 in 10 doctors used electronic records in 2012 to U.S. standards](#)

Only 9.8% of 1,820 primary-care and specialty doctors had electronic systems that met U.S. rules for meaningful use. The Obama administration has spent about \$15.0 billion since 2009 to help doctors and hospitals adopt electronic health records

[Raising sin taxes on tobacco and alcoholic beverages and imposing them on sugary drinks and fatty foods, would improve public health](#)

According to 2 Mayo Clinic doctors, if the tobacco tax is increased by \$0.5 cents per pack, it can generate revenues of nearly \$80.0 billion over the next 10 years. If alcohol tax was to increase to 30.0% from the current 10.0%, federal revenues would increase by \$25.0 billion per year. A \$0.01 per ounce tax on sugary beverages would raise \$15.0 billion to \$20.0 billion in revenues each year

[Commercial insurers participating in accountable care arrangements are less likely, than public payers, to use payment models featuring the upside-only shared savings preferred by providers](#)

Of the study of the 85 ACO payer arrangements, more than one-third are for upside-only shared savings. But of these upside models, only 21.0% are offered by commercial payers. Nearly 70.0% of commercial ACO payment arrangements to date have used only care management fees or downside shared-savings models, where providers face a financial loss if they fail to meet utilization and quality targets

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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