

APPCON

2019

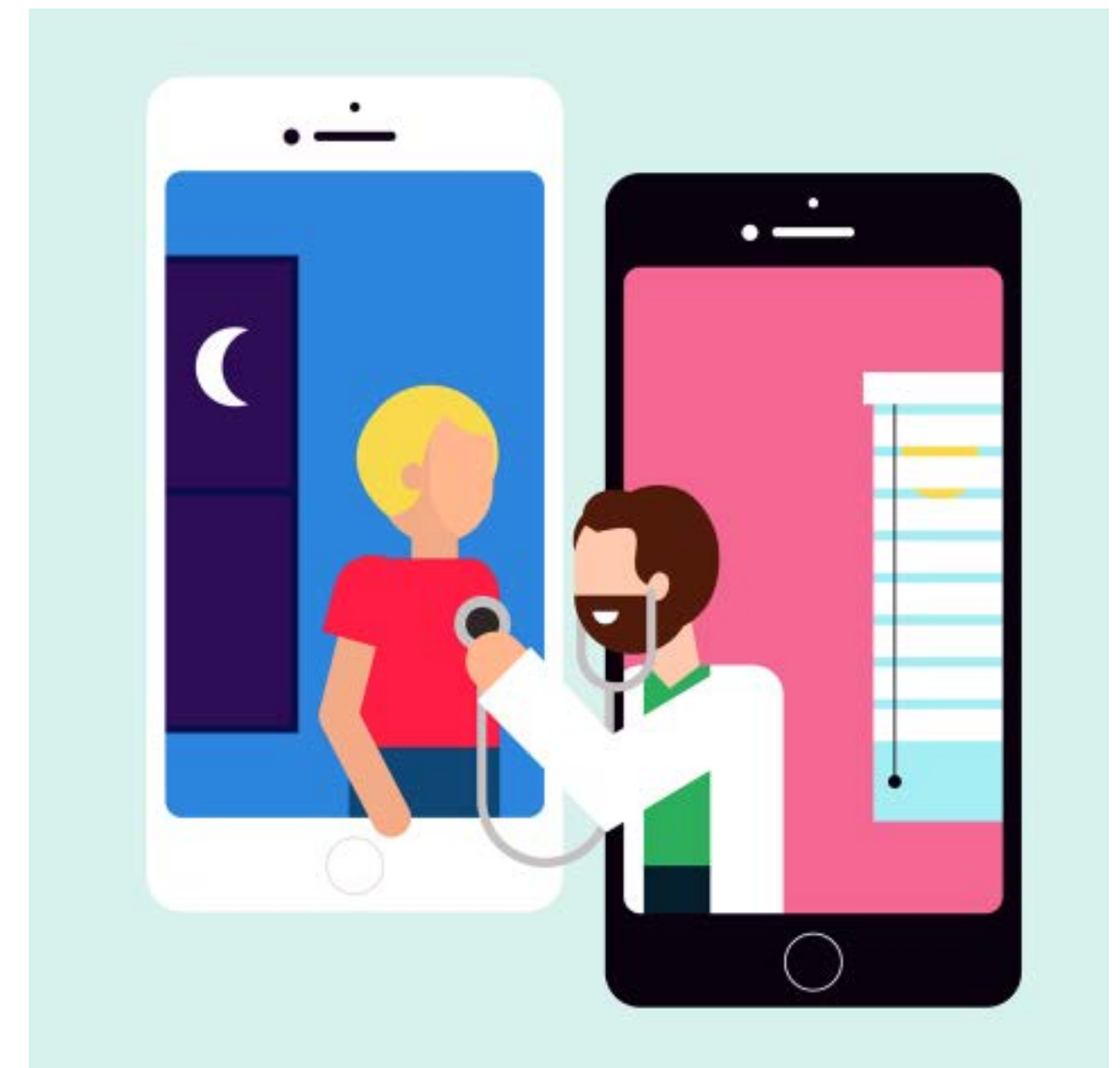
WEAR IT



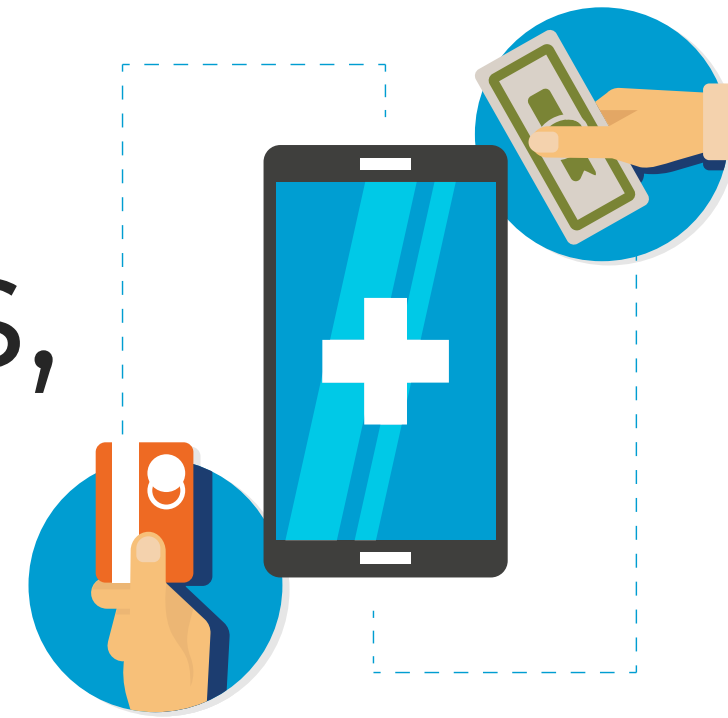
Health is Mobile because it Has to Be!

Fewer Physicians, Higher Costs

- A shortage of 30,000 physicians is expected to increase to 90,000 over the next decade
 - About 133 million Americans have at least one chronic condition, and most of them are in rural areas where they must travel farther to access care in person
 - The number of Americans over 65 is expected to grow from 55 million in 2020 to 70 million in 2030
- On average, about 80 percent of Americans over 65 have at least one chronic condition
- Each physician needs to reach more patients, and connected health tools can help them do that

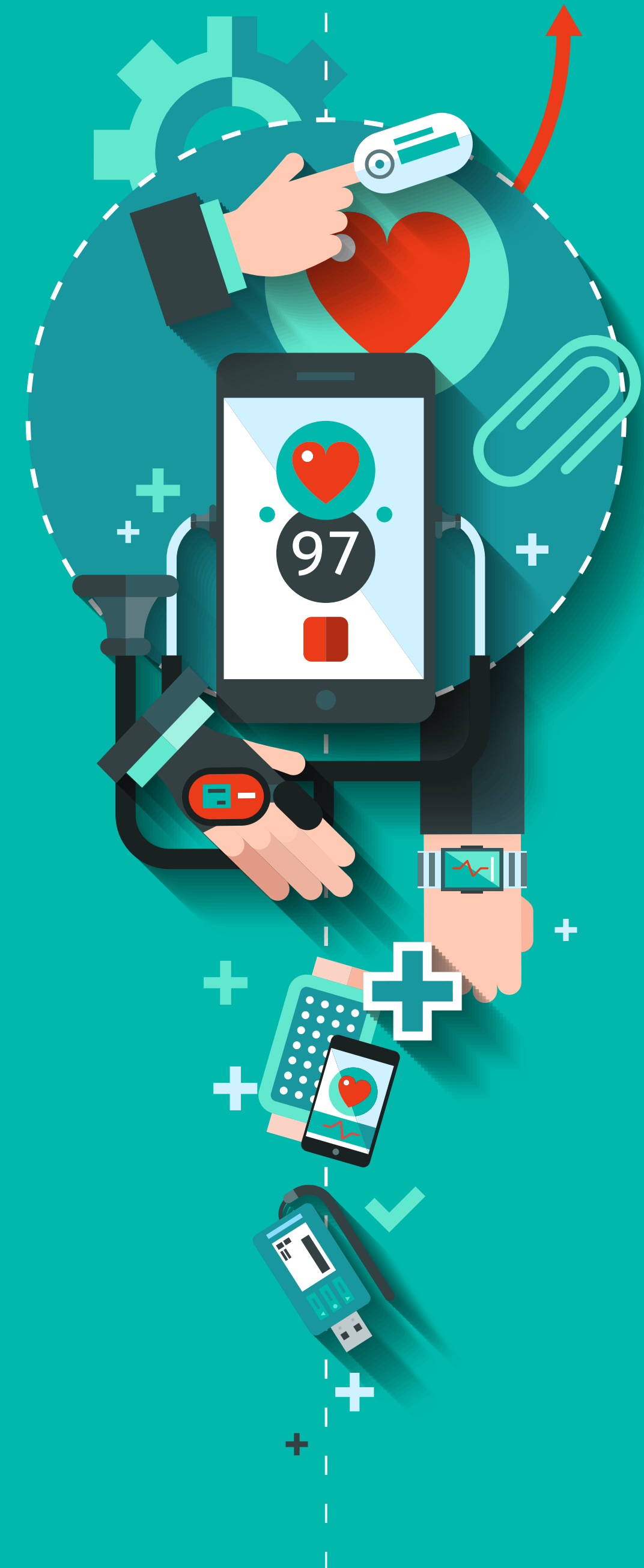


Connected Health is Improving Outcomes, Managing Costs



For Treatment:

- Remote patient monitoring and telehealth reduce costs and improve outcomes for patients with chronic conditions (diabetes, heart failure, and similar conditions)
- One in four diabetes patients say they skip doses because insulin costs so much
- One CHI steering committee member (UMMC) showed, with a pilot involving diabetes patients, that remote monitoring and telehealth could save the state \$189 million per year in Medicaid costs, while enabling more meaningful control of weight and A1C levels
- Another CHI member, University of Virginia, used telehealth and remote monitoring to reduce the number of miles traveled by patients and drastically reduce A1C levels



Connected Health is Improving Outcomes, Managing Costs

For Prevention:

- We want to give people incentives to monitor their health and wellness
- Another CHI steering committee member, United Health Group, did a pilot project that showed that use of wearables and wellness monitoring saves an average of \$222 per year per person in healthcare costs



Incentives to Adopt Connected Health Tools



For physicians:

In the kinds of things they are paid for by insurance; including Medicare reimbursement and value-based care arrangements



For consumers:

- Tax advantages, including Flexible Spending Accounts and Health Savings Accounts (FSAs/ HSAs)
- HSAs and FSAs are accounts with pre-tax funds from employee paychecks, a benefit provided by employers
- HSA and FSA funds can be spent “medical care,” (the “diagnosis, cure, mitigation, treatment, or prevention of disease . . .”). Section 213 of the Internal Revenue Code
- But the IRS has interpreted “medical care” narrowly to exclude most modern items that have medical but also other purposes, such as wearables that collect blood oximetry, steps, movement, and heart rate

Explain Yourself, IRS!

- From the FSA website: “If devices like the Apple Watch and Fitbit were specifically designed for the diagnosis, cure, mitigation, treatment, or prevention of a disease, this might be a different response. But general health and overall well-being aren't quite enough to make them qualify.”
- The IRS may view an FDA-approved EKG monitor as not “specifically designed for the . . . mitigation . . . or prevention of a disease,” but we think it should be.
- If we can clarify that such uses are indeed specifically designed for the mitigation or prevention of disease, we remove all doubt for the IRS.



Updating the Outdated Law: The WEAR IT Act

The Wearable Equipment Adoption and Reinforcement and Investment in Technology (WEAR IT) Act:



01

Adds to the definition of “health care” for purposes of eligible FSA/HSA expenses

02

Includes devices, applications, and software platforms . . .

- including health engagement and outcomes tracking devices and software platforms
- that collect physiological data with the capability to store or transmit physiological data
- to a care team,
- including manually reported outcomes
- Includes items that aggregate, collect, display, store, or transmit physiological data from two or more devices or associated applications or software platforms

03

Physiological data means “clinically valuable data about the physical or mental health of a natural person,” including brain activity, glucose, eye tracking, sleep, etc.

04

The tax advantage is capped at \$250 per person or \$500 for joint filers

Where are we and What's the Ask?

Procedural Posture:

- We, the Connected Health Initiative, drafted the WEAR IT Act
- No members of Congress have introduced the bill yet, but some are interested (Reps. Jason Smith (R-MO) and Mike Thompson (D-CA))
- Will be a lot easier for Mike Thompson to commit if several other members join him



Where are we and What's the Ask?

Message to Congress:

- Please support legislation to update the law defining eligible expenses for FSAs and HSAs to include modern health and wellness monitoring devices, apps and platforms
- We happen to have a proposal that would accomplish this task, it's called the WEAR IT Act



This Should be a Slam Dunk ... but it's Not!

Potential Pushback:

This will cost a lot

One study shows that wellness plans using wearables save the healthcare system an average of \$222 per year.

- Over time, this should save the federal government money in the form of costs it would otherwise incur in Medicare and other expenditures. Prevention saves vast amounts of money, but often those savings are not realized within the 10-year budget window Congress uses.

This is a giveaway for people to by Apple Watches

This is the opposite of a corporate giveaway. The bill would remove the backwards-facing incentive for companies to make healthcare prevention and treatment items that do only one thing and instead reward the innovation that is already starting to take place in the market, where devices are starting to take on multiple functions.

Worth mentioning: The House Ways & Means Committee approved similar legislation last year in a bipartisan vote, clarifying that health club memberships and sports equipment are eligible FSA/HSA expenditures



Questions?

