

Critical Access Hospitals and Health Care Reform

What's in it for you?

**Draffin
& Tucker, LLP**
CERTIFIED PUBLIC ACCOUNTANTS

Patient Protection and Affordable Care Act (ACA)

- Fundamental changes
 - Moving Medicare from payment for services to payment for outcomes
 - Expansion of Medicaid
 - Changes health insurance
- Few direct CAH provisions

ACA legislation

- Clarifies 101% reimbursement for Method II outpatient billing
 - Method II is no longer an annual election.
 - In effect until request for termination
 - Must notify MAC 30 days prior to start of cost reporting period for election or termination

ACA legislation

- Extends Flex program to 2012
- Additional grant funds to assist rural hospitals in value-based purchasing, accountable care organization, payment bundling and other reform programs

ACA legislation

- Extends 340B discount program to CAHs for outpatient drugs
- Numerous workforce strengthening and improvement provisions

Payment methodologies

- CAHs will be consulted regarding participation in Payment Bundling pilot program (§3023)
- CAHs are exempt (for now) from hospital readmissions payment reduction program

ACA legislation – CAH challenges

- Independent Payment Advisory Board
- Changes to Medicare Advantage
- Medicaid DSH cuts
- Commercial health insurance changes
- Payment cuts in related entities
 - SNF, HHA, hospice, physicians, DME, ambulance

Value based purchasing

- PPS hospital program begins 10/1/12
- CAH program will start as a demonstration (§3100 (b))
 - Begins 2012
 - Three year program
 - Earliest implementation 2017

Begin to monitor this NOW!

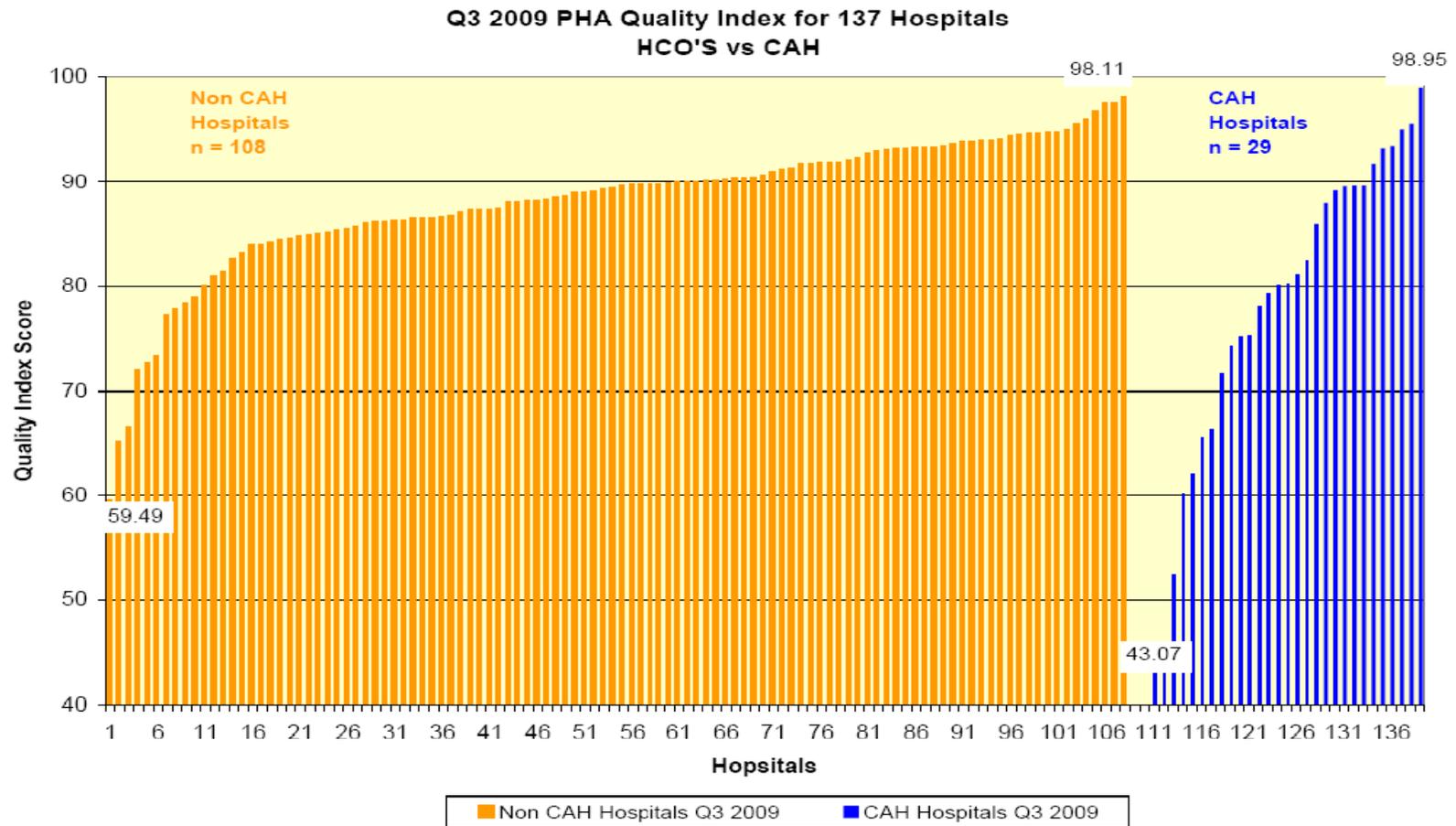
ACA legislation – CAH challenges

- Quality reporting and payment impacts
- Compliance and enforcement
- Competition
 - PPS hospitals in accountable care organizations
 - FQHC increased funding
 - Physician recruitment

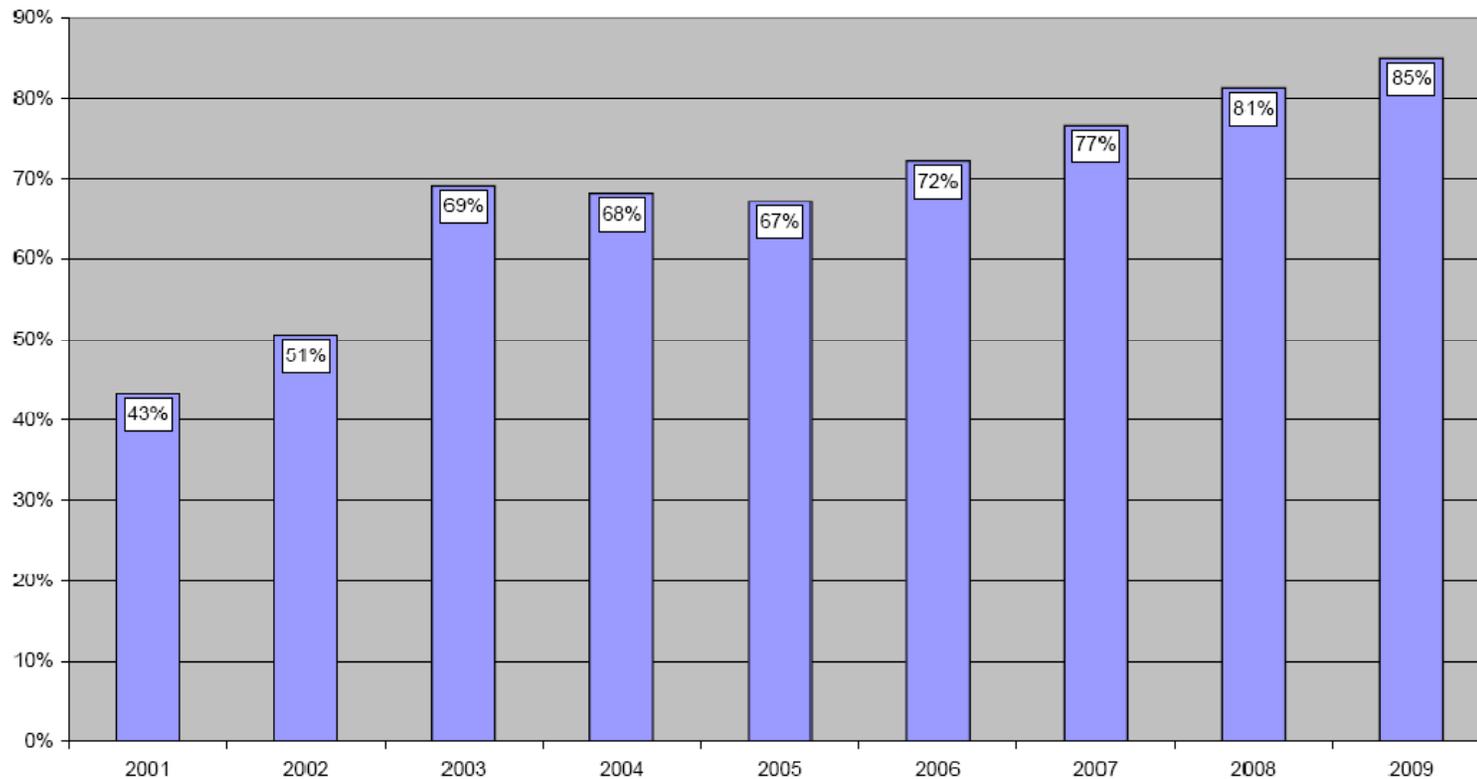
ACA legislation – CAH responses

- Report and monitor quality measures
- Improve revenue cycle processes
- Review staffing levels
 - Hospital staff AND medical staff
- Evaluate profitable and unprofitable services

HCOs vs. CAHs

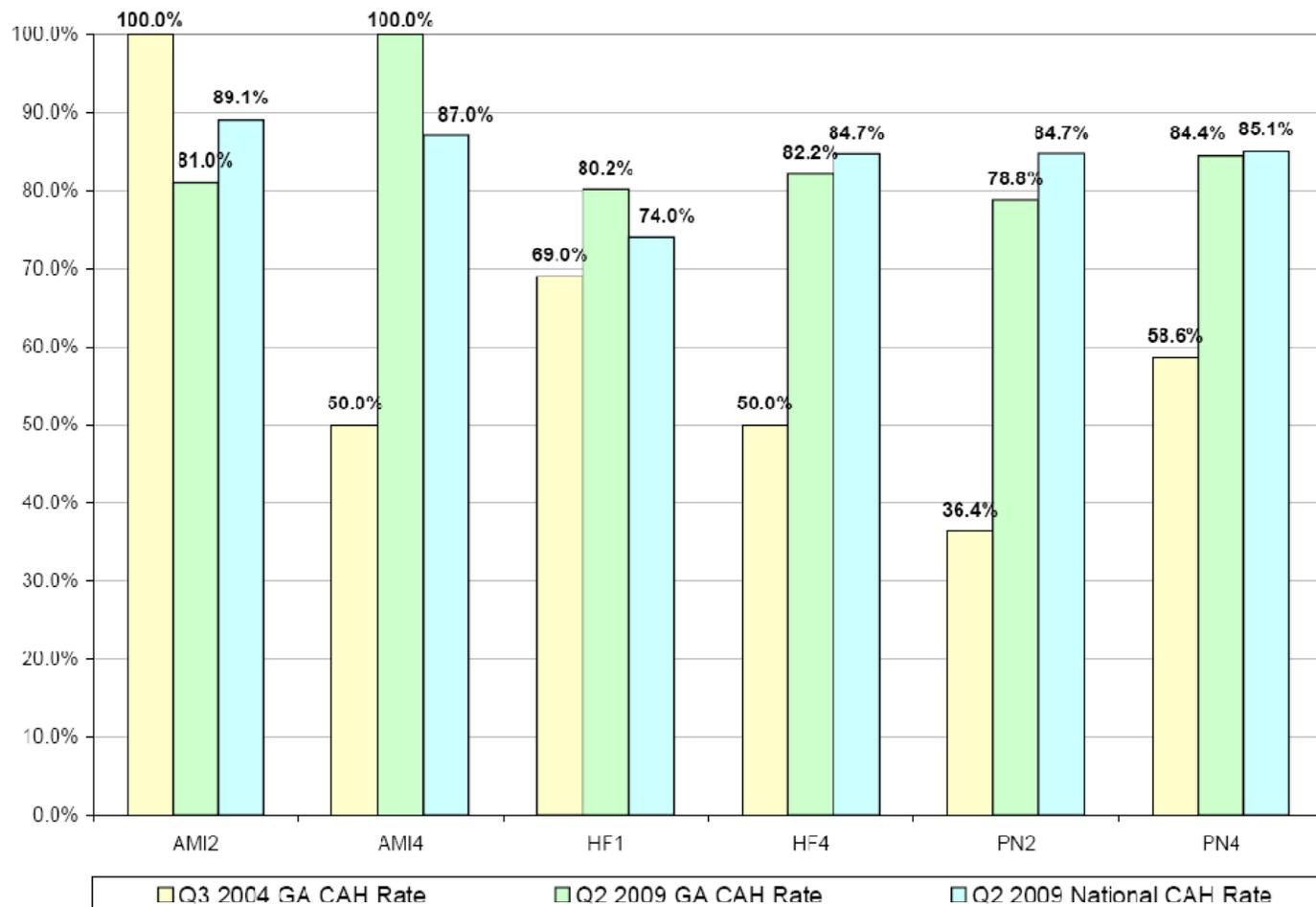


Core Measure Composite Scores for Georgia CAHs 2001 - 2009



Composite Scores are the weighted average of the Core Measures Data that a hospital has submitted.

Georgia CAH's Gaining on National CAH's



Moving Georgia to the Top Ten

"Right Care Every Time" Targeted Core Measures

January 2009 - December 2009

Chairman's Honor Roll

98 - 100%

Walton Regional Medical Center
 Screven County Hospital
 Wilkes County Hospital
 Doctors' Hospital - Augusta
 Barrow Regional Medical Center
 Coliseum Medical Centers
 Redmond Regional Medical Center
 North Fulton Regional Hospital

Fannin Regional Hospital
 Stephens County Hospital
 Cartersville Medical Center
 Coliseum Northside Hospital
 Polk Medical Center
 Northside Hospital - Cherokee
 Emory Eastside Medical Center
 Emory Johns Creek Hospital

Presidential Honor Roll

93 - 97.9%

Fairview Park Hospital
 Northside Hospital
 Atlanta Medical Center
 Tanner Medical Center / Villa Rica
 West Georgia Health System
 Saint Joseph's Hospital of Atlanta
 Gwinnett Medical Center - Duluth
 Gwinnett Health System/Gwinnett Medical Center
 Newton Medical Center
 Northeast Georgia Medical Center, Inc.
 Athens Regional Medical Center, Inc.
 University Hospital
 Hatcherem Medical Center
 Palmyra Medical Centers
 Bacon County Hospital and Health System
 South Fulton Medical Center
 Northside Hospital-Forsyth
 Coffee Regional Medical Center, Inc.
 Piedmont Newnan Hospital, Inc.
 WellStar Kerestone Hospital
 Satilla Regional Medical Center
 The Medical Center, Inc.
 Burke Medical Center
 Upson Regional Medical Center
 St. Mary's Health Care System, Inc.
 Emory-Adventist Hospital

Tanner Medical Center / Carrollton
 Spalding Regional Medical Center
 Floyd Medical Center
 Hamilton Medical Center, Inc.
 Memorial Health University Medical Center
 WellStar Cobb Hospital
 John D. Archbold Memorial Hospital
 Chatahoochee Regional Hospital, Inc.
 Gordon Hospital
 Doctors Hospital-Columbus
 WellStar Paulding Hospital
 Habersham Medical Center
 WellStar Douglas Hospital
 Candler Hospital - Savannah
 Evans Memorial Hospital, Inc.
 DeKalb Medical at Hillandale
 Trinity Hospital of Augusta
 Tift Regional Medical Center
 Union General Hospital, Inc.
 Piedmont Fayette Hospital
 Piedmont Mountairside Hospital
 Piedmont Hospital, Inc.
 Southern Regional Medical Center
 Houston Medical Center
 Higgins General Hospital

Honor Roll

91 - 92.9%

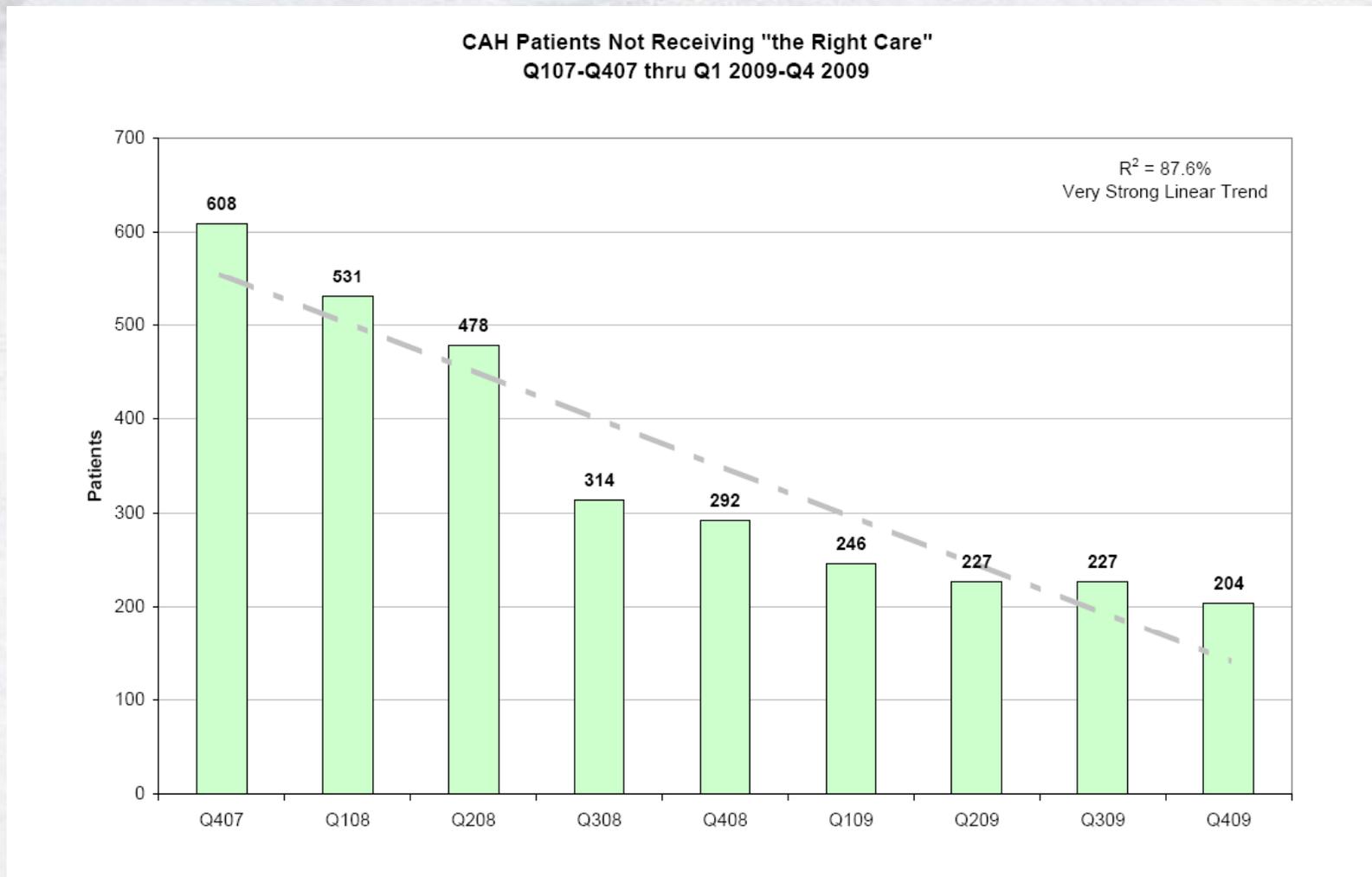
DeKalb Medical Center at North Decatur
 Murray Medical Center, Inc.
 Brooks County Hospital
 Cobb Memorial Hospital
 Perry Hospital
 Peach Regional Medical Center
 North Georgia Medical Center

Henry Medical Center, Inc.
 Rockdale Medical Center, Inc.
 Colquitt Regional Medical Center
 Southeast Georgia Health System - Brunswick Campus
 Meadows Regional Medical Center
 Early Memorial Hospital

 = Critical Access Hospitals



CAH Hospitals are Improving!



Accountable Care Organizations (ACO)

- Organization of health care providers
- Accountable for the quality, cost, and overall care of Medicare beneficiaries assigned to ACO

ACO - beneficiaries

- Assigned
 - beneficiaries for whom the professionals in the ACO provide the bulk of primary care services
- Assignment
 - invisible to the beneficiary
 - will not affect their guaranteed benefits or choice of doctor

ACO participants

- Group practice physicians/professionals
- Networks of physicians/professionals
- Partnerships or joint venture arrangements of physicians/professionals and hospitals
- Hospitals employing physicians/professionals
- Other forms that the Secretary of Health and Human Services may determine appropriate.

ACO requirements

- Formal legal structure
- Have a sufficient number of primary care professionals for the number of **assigned beneficiaries (to be 5,000 at a minimum)**
- Participate for a minimum of three years

ACO benefits

- Receives a share of savings each 12 month period
 - Actual per capita expenditures of assigned Medicare beneficiaries compared to benchmark amount
 - Must meet **quality performance standards** to receive benefit
- No penalties if targets not met

ACO costs

- ACO participation is costly.
- Physician Group Practice demonstration (GAO-08-65)
 - Model for ACO program
 - Average initiation costs were \$489,000
 - One year operating costs of \$1.26 million
 - Eight of ten participants did not receive any shared savings in first year

Commercial involvement

- Although CAHs may be exempt from many of the ACA provisions, commercial insurers are beginning adoption of accountable care provisions.
 - Aetna, Cigna, United

Accountable Care Organizations – Implications for Rural Hospitals

A. Primary Care Physicians –

Current programs focus on PCP services. Who controls your local PCPs? Are they independent, your employees, the employees of a major medical center, or the employees of a large regional practice group? How will you assure the commitment of the PCPs to your facility?

B. Specialty Physicians –

Specialist services continue to be crucial: their diagnostics and procedures are crucial to hospital profit. They are not excluded from the ACO world; their services are to be coordinated with the PCP services. Do you have a suitable base of specialty physicians? Do they use your locality as a source to export services they conduct at their home base or do they support and use your hospital?



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Accountable Care Organizations – Implications for Rural Hospitals

C. Rural Hospitals –

The role of the major medical centers is obvious. What is the role for your CAH? Consider: the CAH will be a lower-cost facility. The CAH – the local hospital - is also closer and more convenient for the local patient and family. Does your population expect to come to your hospital? Does your population perceive you as a preferred hospital provider?

D. Medical Centers –

Typically providers of the full spectrum of hospital care. Also frequently are major employers of physicians. They are often engaged in heavy competition with other medical centers and consequently exhibit a tendency to want to stuff their own pipeline. This can have either negative (loss of patients, loss of revenue) or positive (your orientation to the medical center as a source of referrals) implications for rural hospitals. Is your relationship with a medical center positive for your revenues?



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Accountable Care Organizations - Tentative Conclusions

- E. What actions should a rural hospital take to make its role crucial to a successful ACO?
- Ensure status of the local PCPs
 - Develop appropriate specialty services; build your business and increase variety of services to local population
 - Be important to a major medical center; be sure you are at the table when ACO decisions are being made.
 - Consider joining with other like-minded hospitals and form an ACO which you have a major voice in. Relate to the medical center on terms favorable to the network hospitals.



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And finally . . .

- Community health needs assessments
- Financial assistance policies

Apply to 501(c)3 hospitals only

CHNA – must be performed between March 23, 2010 and
March 31, 2013

FAP – in effect for fiscal years beginning after March 23,
2010

Awaiting IRS responses to comments

Healthcare Reform and CAHs

- Find a dance partner
- Focus on quality
- Remember, patients have a CHOICE – give them reasons to choose your facility!