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Emerging Healthcare Issues:

How Will They Impact Hospital
Reimbursement? Part 2

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EMERGING HEALTHCARE TOPICS FOR DISCUSSION

HITECH Act of 2009

- Meaningful Use and EHR Incentive Programs

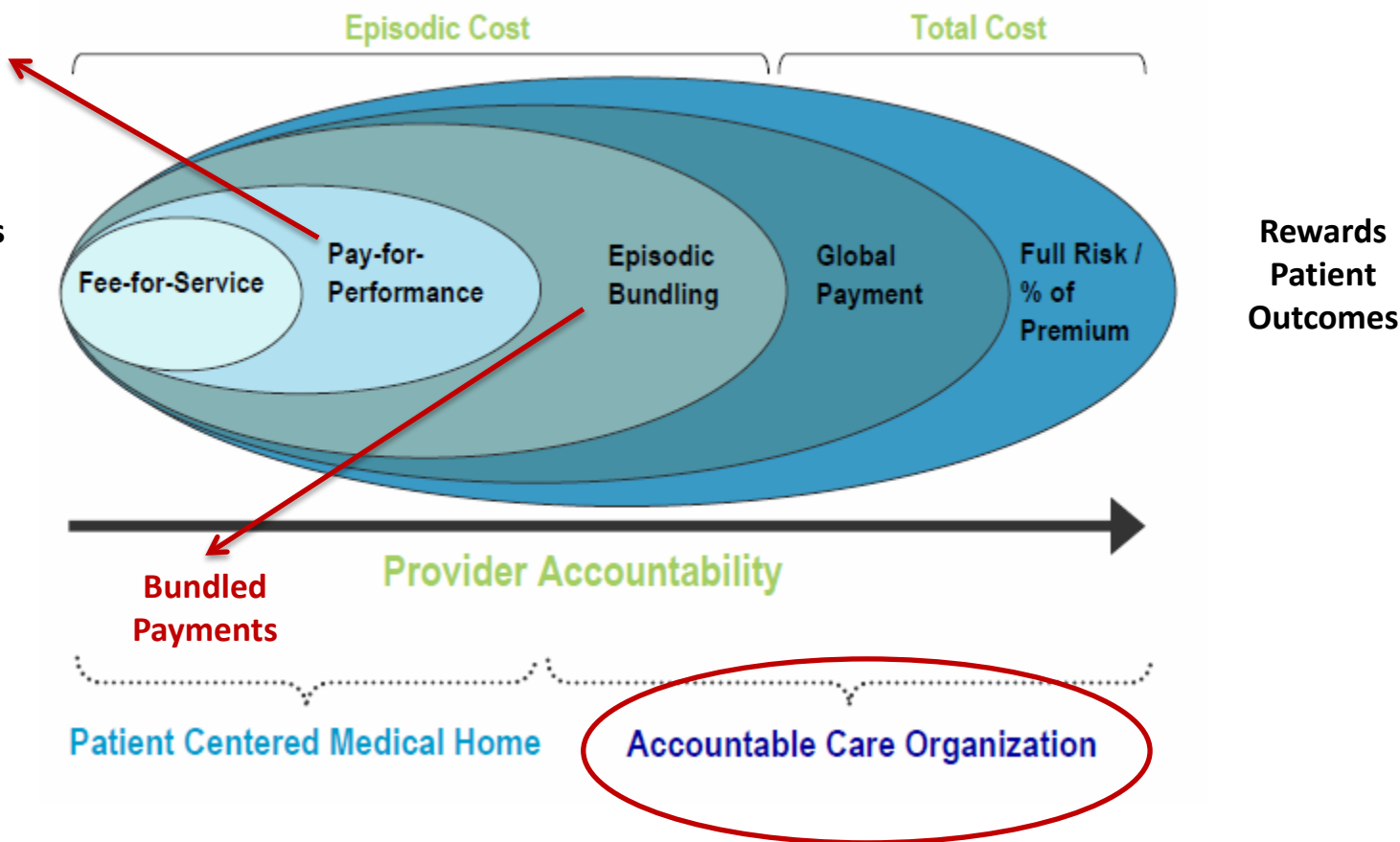
Affordable Care Act of 2010

- Hospital Value-Based Purchasing
- Bundled Payments
- Accountable Care Organizations

HOW IS HEALTHCARE CHANGING?

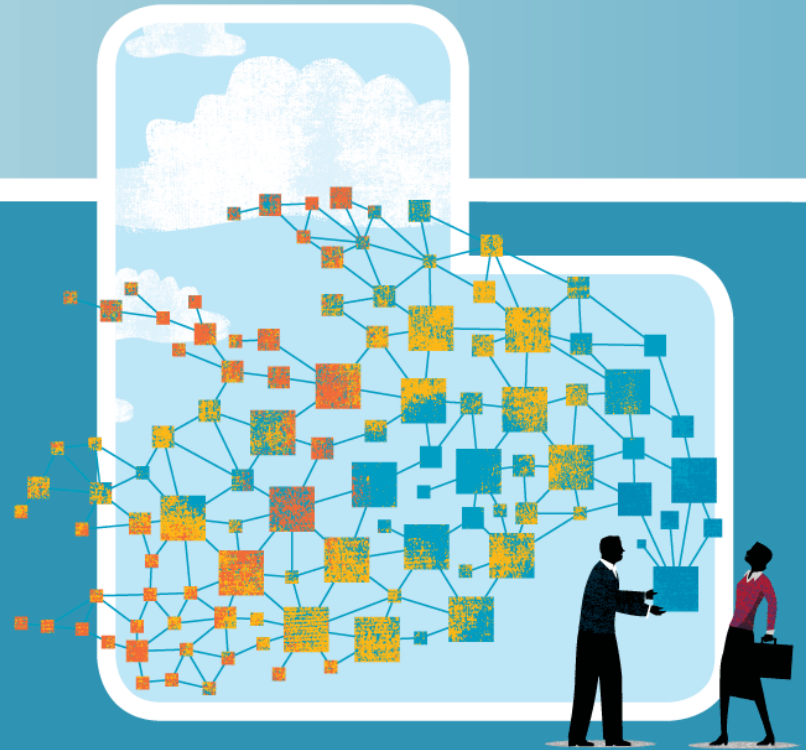
Meaningful Use
and Hospital
Value-Based
Purchasing

Rewards
Patient
Volume



Rewards
Patient
Outcomes

BUNDLED PAYMENTS

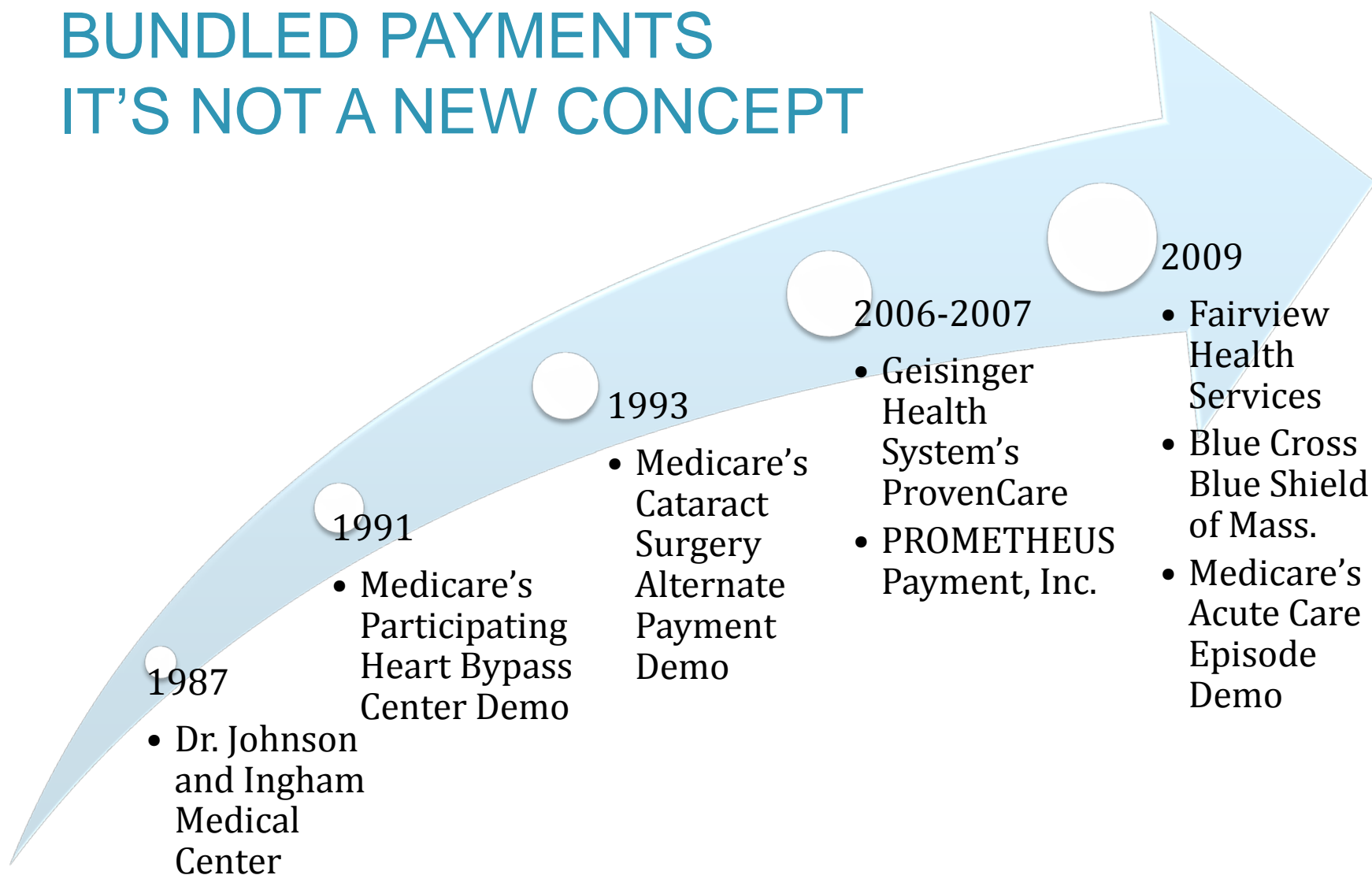


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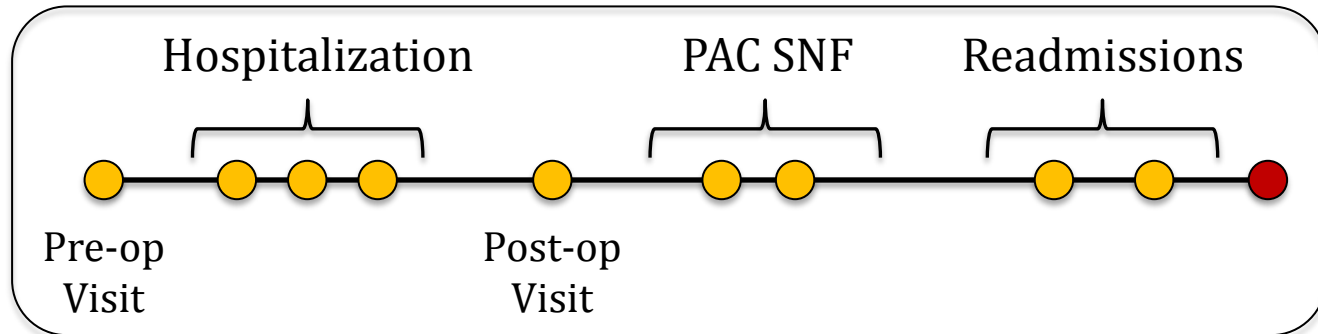
BUNDLED PAYMENTS IT'S NOT A NEW CONCEPT



BUNDLED PAYMENTS EXAMPLE

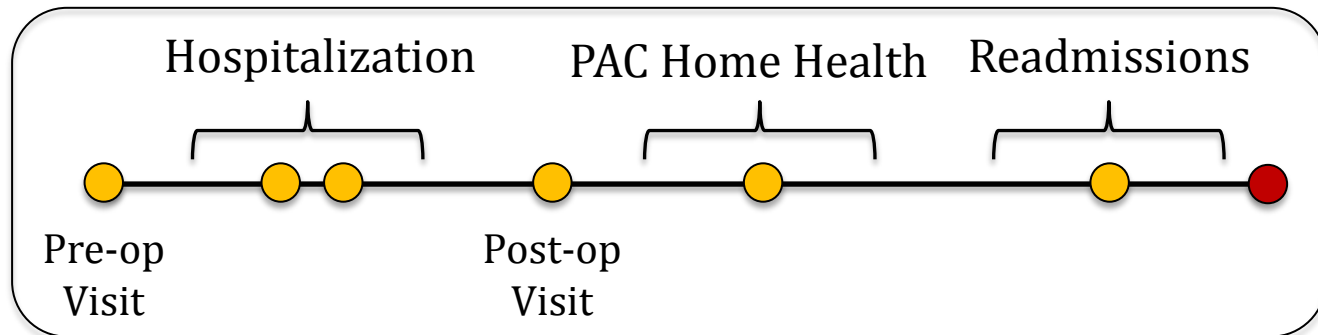
WHAT'S INCLUDED AND HOW IS IT PRICED?

**High Cost
Episode of Care**



**Agreed Upon Price per Episode of Care
Facility + Professional = \$31,200**

**Low Cost
Episode of Care**



● = Physician Visit ● = End of Episode of Care

MEDICARE BUNDLED PAYMENTS FOR CARE IMPROVEMENT INITIATIVE

Model 1

- Retrospective
- Acute Care Hospital Stay Only
- All MS-DRGs
- Minimum discount of 0% in the first 6 months to 2% in Year 3

Model 2

- Retrospective
- Acute Care Hospital Stay + Post-Acute + Readmissions
- 48 bundle definitions to choose from
- Minimum discount of 3% for 30 or 60 days and 2% for 90 days

Model 3

- Retrospective
- Post-Acute Only
- 48 bundle definitions to choose from
- Minimum discount of 3% regardless of days (30, 60, or 90)

Model 4

- Prospective
- Acute Care Hospital Stay + Readmissions
- 48 bundle definitions to choose from
- Minimum discount of 3.5% for ACE Demo MS-DRGs and 3% for all others

EPISODE CONVERGENCE FOR MODELS 2-4

| Episode Name | | | |
|--------------|---|----|--|
| 1 | Acute myocardial infarction | 25 | Major bowel |
| 2 | Amputation | 26 | Major cardiovascular procedure |
| 3 | Atherosclerosis | 27 | Major joint replacement of the lower extremity |
| 4 | Automatic implantable cardiac defibrillator generator or lead | 28 | Major joint upper extremity |
| 5 | Back and neck except spinal fusion | 29 | Medical non-infectious orthopedic |
| 6 | Cardiac arrhythmia | 30 | Medical peripheral vascular disorders |
| 7 | Cardiac defibrillator | 31 | Nutritional and metabolic disorders |
| 8 | Cardiac valve | 32 | Other knee procedures |
| 9 | Cellulitis | 33 | Other respiratory |
| 10 | Cervical spinal fusion | 34 | Other vascular surgery |
| 11 | Chest pain | 35 | Pacemaker |
| 12 | Chronic obstructive pulmonary disease, bronchitis/asthma | 36 | Pacemaker Device replacement or revision |
| 13 | Combined anterior posterior spinal fusion | 37 | Percutaneous coronary intervention |
| 14 | Complex non-Cervical spinal fusion | 38 | Red blood cell disorders |
| 15 | Congestive heart failure | 39 | Removal of orthopedic devices |
| 16 | Coronary artery bypass graft surgery | 40 | Renal failure |
| 17 | Diabetes | 41 | Revision of the hip or knee |
| 18 | Double joint replacement of the lower extremity | 42 | Sepsis |
| 19 | Esophagitis, gastroenteritis and other digestive disorders | 43 | Simple pneumonia and respiratory infections |
| 20 | Fractures femur and hip/pelvis | 44 | Spinal fusion (non-Cervical) |
| 21 | Gastrointestinal hemorrhage | 45 | Stroke |
| 22 | Gastrointestinal obstruction | 46 | Syncope and collapse |
| 23 | Hip and femur procedures except major joint | 47 | Transient ischemia |
| 24 | Lower extremity and humerus procedure except hip, foot, femur | 48 | Urinary tract infection |

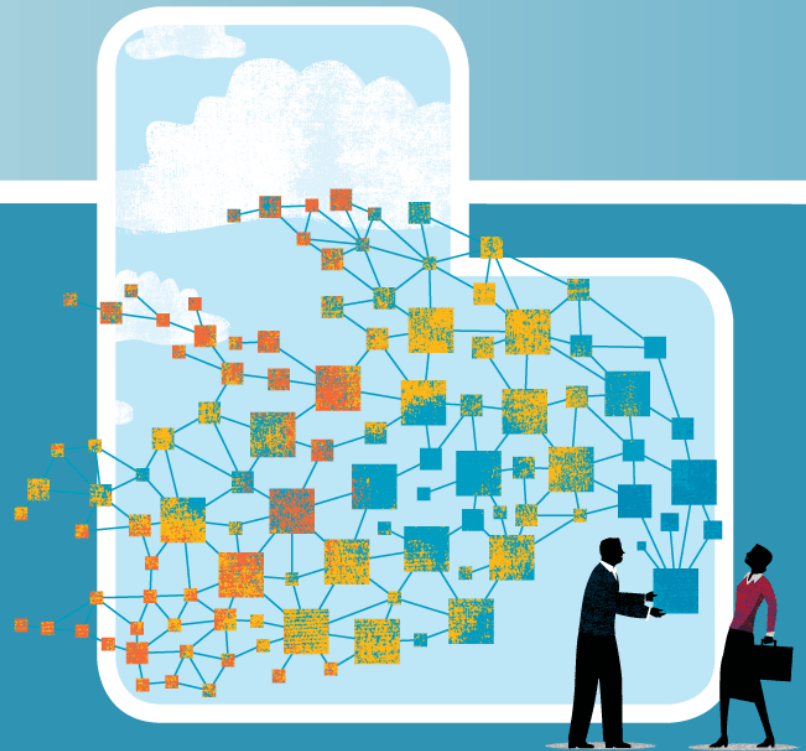
BUNDLED PAYMENTS RISKS

- Selecting episode definition, episode length, and payment discount
- Administering claims for prospective models
- Determination of gains or losses
- Waivers and gainsharing agreements
- Care redesign plans
- Beneficiary inducement
- Business and financial arrangements
- Physician engagement plans

BUNDLED PAYMENTS – WHAT SHOULD INTERNAL AUDIT MONITOR?

- Contracts
- Definitions of data to reporting of data
- Reimbursement
- Financial modeling and budgets
- Tracking of patient's pathway through episode of care
- How costs are separated between typical and avoidable

ACCOUNTABLE CARE ORGANIZATIONS



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ACCOUNTABLE CARE ORGANIZATIONS

WHAT ARE THEY?

- Groups of doctors, hospitals, and other health care providers who come together contractually to:
 - Deliver high quality care
 - Coordinate care across a spectrum of care settings
 - Serve a specific patient population
- Rewarded for keeping health care costs lower while meeting performance standards on quality of care

ACCOUNTABLE CARE ORGANIZATIONS COMMON PAYMENT ARRANGEMENTS

Fully Capitated

- Providers contract to provide defined health services to a specific patient population for a predetermined capitation fee

Risk Pools

- Both favorable and unfavorable financial results are shared among providers with final settlements typically occurring at the end of each contract term

Shared Savings

- Parties agree to share risk through risk pools designated to pay incentives to providers who meet contractual metrics such as cost control

IMPORTANCE OF INFORMATION

- Enabling effective care coordination across the continuum to develop a community of providers that actively collaborate in treating patients
- Connecting system participants through real-time interoperable information exchange
- Linking EHRs to support population health and payment systems
- Analyzing and reporting based on quality measurement requirements
- Providing patients with the right information to accept responsibility for ongoing care

ACCOUNTABLE CARE ORGANIZATIONS PROGRAMS



Medicare Shared Savings



Advanced Payment ACO Model



Pioneer ACO model

MEDICARE SHARED SAVINGS PROGRAM (MSSP)

- A separate legal entity to coordinate care for Medicare fee-for-service beneficiaries
- Three-year agreements with CMS
- Entity must have at least 5,000 attributed beneficiaries
- Continue to receive traditional Medicare fee-for-service payments with two shared savings models to choose from

MSSP MODELS

Track 1 – Less Risk, Lower Reward

- Share in savings only with no downside risk
- Eligible to receive up to 50% of savings from the reduction in cost compared to benchmark
- Payments capped at 10% of benchmark
- Minimum savings rate is a sliding scale based on the number of assigned beneficiaries
- Subject to reporting and performance on 33 quality measures

Track 2 – More Risk, Higher Reward

- Share in both savings and losses
- Eligible to receive up to 60% of savings from the reduction in cost compared to benchmark but liable for up to 40% of the loss
- Payments capped at 15% of benchmark. Losses capped at 5%, 7.5%, and 10% for years 1, 2, and 3 respectively
- Minimum savings rate is a flat 2%
- Subject to reporting and performance on 33 quality measures

DATA MANAGEMENT TOOLS

- Identity Management
- Patient Registries
- Predictive Modeling
- EHR Integration
- Reminder Systems
- Episode of care analytics

MSSP RISKS

- Management of data - Data sharing capabilities for internal quality and cost reporting
- Accurate data submission
- Conflict of Interest within participants
- Hierarchical Condition Category (HCC) Coding
- Appropriate accounting treatment for recognizing revenue under ACO arrangements
- Obtaining timely and accurate data to estimate the shared savings
- Mandatory Compliance Program

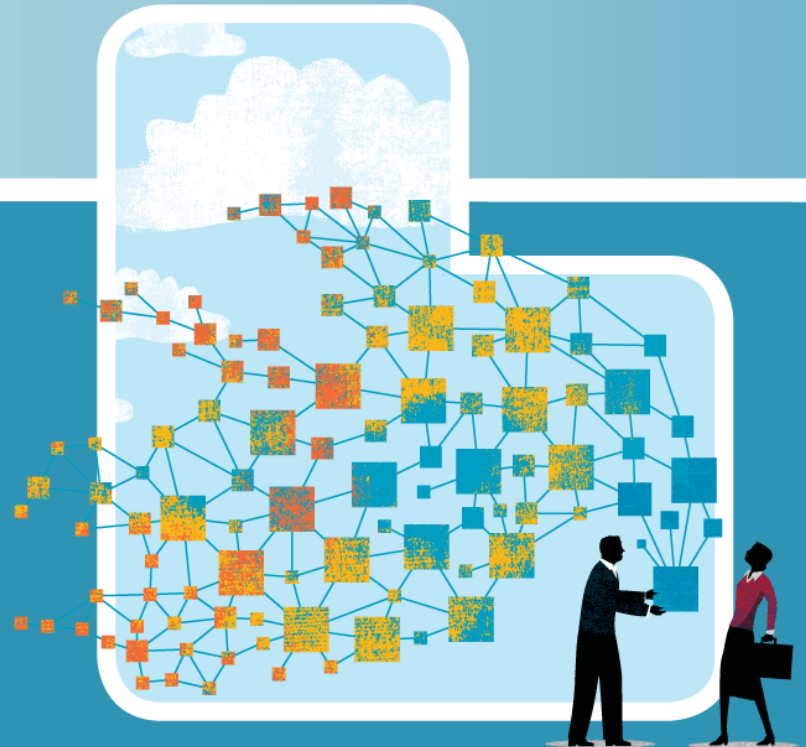
WHAT SHOULD INTERNAL AUDIT MONITOR?

- Revisit the risks and control testing
 - Tone at Top
 - Inventory all data systems and sources that form the basis for clinical data and document process flow
 - Data definitions
 - Confirm data definitions are consistent with reporting standards
 - Verify that data definitions cannot be manipulated by users
 - Consistency
 - Accuracy
 - Completeness
 - Recalculation and testing of risk areas

THANK YOU!

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