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Recent Developments In Healthcare

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Welcome

Sustainable Growth Rate Formula

Sustainable Growth Rate Formula (SGR) was adopted in the Balanced Budget Act of 1987.

SGR was designed to ensure that annual increase in Medicare per beneficiary expense does not exceed GDP growth.

Contained a conversion factor that readjusted payment rates each March 1 based upon the target SGR.

Sustainable Growth Rate Formula

The conversion factor was ill conceived and created constant downward pressure on rates causing annual declines in Medicare Reimbursement Rates.

The annual adjustment was not fully known until early in the year the adjustment was to be made.

This led to massive uncertainty about rates from year to year.

Sustainable Growth Rate Formula

The SGR formula called for average annual decreases of the Medicare Reimbursement Rates of 3%-5%.

Each March, Congress stepped in to delay the effective rate change and make incremental changes to the formula. Congress did so 17 times.

The March 2015 rate cut was set to be 21%.

Sustainable Growth Rate Formula

Uncertainty is bad for business!

Each year physicians didn't know how to plan for reimbursement.

Great fear among physicians as their non-Medicare business is tied to a percentage of the Medicare fee schedule – declining Medicare rates hurt the entire business.

Sustainable Growth Rate Formula

Fear of declining rates (a 21% drop in reimbursement would eliminate most of the profit of any medical practice) was a leading factor driving the sale of physician practices to hospitals.

Also led to consolidations to try to hold the line on non-Medicare reimbursements.

Led to rise in concierge practices.

Sustainable Growth Rate Formula

Congress became worried about access to care and has intervened. The House and Senate have passed bipartisan legislation to repeal SGR and the President signed the legislation on April 16.

Bill eliminates SGR and the 21% reduction.

Replaces 21% reduction with 0.5% annual increases beginning July 1, 2015 and ending July 1, 2019.

Sustainable Growth Rate Formula

Elimination of Fee for Service. Physicians have long (50 years) been paid by Medicare on a Fee for Service basis.

The bill gradually replaces Fee for Service beginning in 2019.

Starting in 2019, physicians who have enrolled at least 25% of their patients in “value-based payment models” will be eligible for 5% bonus payments through 2024.

Sustainable Growth Rate Formula

In 2024, physicians meeting the threshold will receive 0.75% annual increases, compared to 0.25% for fee for service physicians.

Value-Based Payment Systems

What does the term Value-Based Payment System mean?

Payments will be based on meeting certain cost and outcome metrics.

In the transition period, that will mean part of the bonus payments will be for “meaningful use” of electronic medical record and reporting systems.

Value-Based Payment Systems

CMS will collect the data and develop treatment baselines. The idea is that certain outcomes for patients (treatment of a blocked artery requiring catheterization, for instance) should be accomplished with a positive outcome within a certain dollar range and time period.

Efficiency is the catch phrase. This piggybacks on the Accountable Care Act implementation of Accountable Care Organizations (ACOs).

Value-Based Payment Systems

The first true ACO in our area, iCare, is being implemented by Blue Cross and being rolled out in the next few weeks.

By 2024, CMS envisions all Medicare Advantage Programs being provided through an iCare type ACO.

Eventually, the goal under the ACA and the new bill is to move all payments to value-based payment systems.

Value-Based Payment Systems

The Downside? We don't know if they work.

The amount of analytics required to produce better outcomes is immense, and the analytical tools are flawed.

Says Dr. Robert Berenson, formerly a member of the Medicare Payment Advisory Commission, in *Modern Healthcare* “We have lousy measures that don't measure the core activities of what doctors do.”

What Does SGR Repeal Mean for Regions Clients?

Physicians now have a better idea of their income for the next five year period.

Physicians are facing a time of intensive investment in practice software and analytics – ICD-10 is coming in this fall, replacing ICD-9, to improve analytics. It is an extensive, expensive, time consuming, training intensive transition.

What Does SGR Repeal Mean for Regions Clients?

Physicians will face pressure to join ACO organizations and start taking non-traditional Fee-For Service patients. There will be a need for physicians to have access to financial modelling to determine their risk.

The new payment mechanisms will include capitated fees, gain-sharing, risk pools and other mechanisms that will make health care payments look more like a mutual pool than traditional fixed price payments.

What Does SGR Repeal Mean for Regions Clients?

Physicians will be looking to larger entities who can take the capital expense, such as hospitals and insurance companies.

Physicians and medical related businesses will be looking for financing sources that understand the new environment and understand strategic investments in infrastructure that can return bonuses and result in higher payments in the new age of reimbursement.

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