

Healthcare Horizon 2012: Top 10 Issues

With the massive number of recent changes to healthcare delivery systems, keeping track of the issues that impact individual companies can be overwhelming. This year promises to be full of dramatic developments. Here is our list of the top 10 issues that we recommend following throughout 2012.

1. **Stretching the Healthcare Dollar**

The government is focused on doing more with less when its cash is on the line. Whether it is value-based purchasing or other types of performance-based payments, providers need to understand the implications of new quality incentives established by Medicare and Medicaid and implement strategies to maximize reimbursement in light of them. Private insurers are expected to follow suit. Providers must adapt to new payment structures and take into account that they will be expected to deliver more for less in 2012.

2. **Quality**

Similarly, the government and other third-party payors will continue to place more emphasis on quality metrics. Providers will have to continually improve performance in order to maintain reimbursement levels. Further, providers that work with overlapping patient populations will have to increase coordination and information sharing in order to provide seamless care and maximize reimbursement. Because the government continues to focus on readmissions, healthcare providers must improve how they manage care to reduce rates in response.

3. **Alternative Payment Arrangements**

The government is interested in sharing the risk – and the reward – of healthcare procedures with healthcare providers. Bundling payments for certain procedures such as hip and knee replacements is one example that has

been explored. Medicare's acute care episode (ACE) demonstration projects also experimented with bundled reimbursement. Although the government does not appear to be interested in capitation, providers may want to consider reviving physician hospital organizations (PHOs) or other networks to manage risk contracting.

4. **Hospital Physician Integration**

Hospitals and physicians will continue to integrate in ways that extend beyond employment. In 2012, hospital administrators should focus on strategies to improve physician engagement and loyalty in order to maintain and strengthen primary-care networks. Although some physicians and hospitals will combine forces to create accountable care organizations (ACOs), many more will form relationships short of ACOs to align hospital and physician interests. To ensure their continued success, hospitals and physicians must stay abreast of the latest integration strategies.

5. **Consolidation**

Continued consolidation is anticipated at all levels and types of healthcare providers via hospital mergers, physician practice acquisitions and post-acute-care provider mergers. As reimbursement rates continue to contract, consolidation may offer providers more negotiating leverage with payors and suppliers, access to financing and opportunities to participate in ACOs and other bundled payment arrangements.

6. **Antitrust**

Unfortunately, provider consolidation also raises antitrust concerns, and as delivery systems grow, the government will likely begin to closely examine potential mergers. Providers must recognize that government scrutiny and antitrust violations are real risks that require carefully monitoring and evaluation at every level.

7. **Broader Reach of the False Claims Act**

The False Claims Act now requires healthcare providers to detect and refund overpayments, making self-policing by providers of paramount importance. A proposed rule from the Centers for Medicare & Medicaid Services (CMS) for reporting overpayments requires providers to look back further than the current four to six years and imposes increased obligations to ferret out improper claims. In the short term, providers should evaluate the potential implications of the proposed rule and consider submitting comments to CMS by April 16, 2012. Ultimately, providers should follow these developments and implement strategies to ensure compliance

with any rule finalized by CMS.

8. **CMS Self-Referral Disclosure Protocol**

The Department of Health and Human Services filed its first report to Congress regarding the effectiveness of its Self-Referral Disclosure Protocol (SRDP) on March 23, 2012. The report details the 150 disclosures received by CMS over the past year. The types of disclosures ranged from violations associated with personal service arrangements to physician recruitment arrangements and office space rental. CMS settled six cases during the reporting period (two more have been settled since the report was released) while 110 are either currently under review or pending receipt of additional information. Settlements ranged from \$6,700 to \$579,000. The remaining 32 were either dropped, referred to law enforcement or remain on administrative hold. It is unclear whether the backlog is due to an initial wave of activity that has since tapered off or if other issues are delaying the review process. It appears that the process will continue for now, though it is not the fast track to resolve Stark violations that providers might have hoped for.

9. **Additional Scrutiny for Post-Acute Care**

Post-acute care provided to Medicare beneficiaries will be subject to enhanced scrutiny in 2012. CMS will focus on provider certifications, length of stay, amount of therapy and documentation requirements. Post-acute-care providers should plan accordingly.

10. **HIPAA Audits and Enforcement**

The government began testing a HIPAA audit program in late 2011, and it is expected that 150 covered entities and business associates will be randomly selected for reviews sometime in 2012. Although the audits are simply intended to identify compliance trends, it is feasible that they could result in enforcement action against those unlucky few chosen for evaluation.

Providers may want to review HIPAA policies and procedures to ensure readiness for such an audit in case their number is drawn.

What This Means to You

In the ever-changing, multifaceted world of healthcare, it can be difficult to know which issues are most likely to impact your company. This snapshot provides an overview of the areas we think most companies should focus on in 2012.

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