

DOLLARS AND CENTS:

Is Your Health Center Ready for Change?

With the recent passage of health care reform, America is poised for the creation of a new health care system. This new law recognizes the importance of the health center movement and, as such, has included many provisions to assist with the continued expansion of the Health Centers Program. The reform package also creates opportunities for other providers and provides for numerous demonstration projects to develop innovative health care delivery models with an emphasis on improving access and quality of care. Accordingly, health centers are in a unique position to drive some of the changes in our health care delivery system. Is your health center prepared for this challenge?

The new health reform law is expansive and in many aspects, provides for general policy guidelines for reform. Regulations will need to be written to implement many of the reform efforts. Taking a broad view of the provisions of the health reform package, there are some key areas in which health centers will be impacted.

Strategic Planning for a Changed Environment

Health reform has dramatically improved the amount of federal grant funding available for the Health Centers Program. In addition to the current annual appropriation level of \$2.19 billion, health reform invests another \$11 billion over the next

five years, including \$1.5 billion for capital needs. For FY 2011, \$1 billion will be added to the current health center funding levels, representing nearly a 50% increase in the combined appropriation.

While this creates a tremendous opportunity for health centers to expand and position themselves for the future, the onus is on them to proactively respond. By undertaking strategic planning activities including community needs assessments, evaluation of competition, as well as planning for capital needs and health information technology, health centers can lay out a road map for their future.

Initiatives such as the patient-centered medical home (PCMH) and accountable care organization (ACO) demonstration projects create opportunities to present new models in delivering high quality, cost-effective care. To be successful in this emerging environment, internal business process re-engineering is required and partnerships may be needed. It is important for health centers to evaluate new business models available to them and the impact these models may have on their organizations.

Health centers will also face increased competition from other providers for whom opportunities have also been created under health reform, such as physician practices which may have historically shied away from the Medicaid population.

Improved Coding and Practice Management System Implementation

In addition to the many reasons it is good for business to have a practice management system in place that accurately manages patient billing information, can bill third parties on a timely basis, adequately monitors accounts receivable and has excellent reporting capabilities, health reform now creates additional incentives for health centers to do so.

As more individuals obtain insurance through health exchanges, accurate and timely coding and billing of third parties will become extremely important in order to maximize health center collections. A new Medicare Prospective Payment System (PPS) is being designed to pay for Federally Qualified Health Center (FQHC) Medicare services with different rates based on the services provided; therefore, accurate coding of claims will directly impact health center finances.

Also, coding and effective management reporting will be required for health centers to take advantage of quality incentive programs and PCMH demonstration opportunities. Traditionally, poor coding practices did not adversely impact a health center's finances under the FQHC Medicare and Medicaid all-inclusive rate systems. Proper coding and billing will also be important as all Medicaid and Medicare providers will be required to have corporate compliance programs in place that attempt to prevent fraud and abuse of state and federal health care programs.

Electronic Health Records and Health Information Exchange

Electronic health records (EHRs) will be critical for the next evolution of the Health Centers Program as reflected in the funding opportunities under the American Recovery and Reinvestment Act (ARRA) to assist health centers with EHR implementation. Central to many of the programs being emphasized under health reform such as quality incentive programs, PCMHs and ACOs, is the patient's electronic health record.

Many health centers have already begun to implement EHRs, with many more planning this in the future. It is critical that health centers going through this process carefully evaluate the functionality and reporting capabilities of the systems available to them and plan for what information they will need under health reform. In addition, health centers need to properly budget for not only the cost of implementation, but the costs of ongoing operation and maintenance.

Greater Scrutiny of Medicaid and Medicare Providers

Under health reform law, corporate compliance programs are mandatory for all Medicare and Medicaid providers. Until

now, these programs have been essentially voluntary, with the exception of a few states.

Health reform has also expanded the roles of Recovery Audit Contractors (RACs) into Medicaid. RACs are organizations with federal contracts to audit health care providers for overpayments, drawing their compensation from a percentage of recoveries. With the expansion of RACs into Medicaid, and the funding of health reform through recoveries of overpayments to health providers, having effective corporate compliance programs in place that are designed to detect and prevent improper coding and billing practices will be a required foundation for a health center's success under health reform.

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The health center's corporate compliance program should also address its ability to manage operations and federal grant funds in accordance with the federal grant regulations. While ARRA brought \$2 billion in funding to health centers, it also brought increased scrutiny from the Office of the Inspector General (OIG) around use of funds. This scrutiny will intensify as health centers receive more funding under health reform.

Improved Financial Management Systems and Reporting

Central to all of the items previously discussed is that health center financial management and reporting systems must be improved to meet the challenges of health reform. Health centers with superior abilities to extract and use data from various systems to manage their operations will be most successful.

As health reform rolls out, payment reform will be forefront. Again, the days of being paid on an all-inclusive rate per visit with no relationship to proper coding will be behind us. Instead, revenue will be driven by quality incentive payments, payments based on intensity and coding, and global payments paid on a per patient basis as health centers will be paid a fixed fee per month to cover all of the covered health care services for that patient. Therefore, understanding costs and utilization patterns will be critical to success.

The health reform package is broad and offers sweeping changes to many systems impacting health centers. While the details of the legislation are currently being worked out, health centers should not wait to respond – there is plenty to do to prepare to operate successfully in the coming years.

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