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## Health care providers partner, brace for losses after reform

BY MARILYN BOWDEN

Early rumblings from the coming changes in healthcare law are spreading throughout the industry as providers and suppliers prepare to absorb anticipated losses of income.

James A. Farrell and Mark D. Folk, partners at Shutts & Bowen who specialize in health law, said they're seeing a significant trend towards integration and consolidation on the provider side.

"Health systems started to react even before they knew exactly what the final bill was going to look like," Mr. Folk said. "Healthcare changes constantly, in large measure because of the huge federal government footprint on the industry, and when talk was that change was coming, hospitals and physicians started to make rapid attempts to consolidate."

"Whereas 10 or 15 years ago physicians groups and hospitals were not so closely aligned, starting about two years ago they began to get tighter."

The same thing happened during the Clinton Administration's push for healthcare reform, Mr. Farrell said – "and then we spent the next several years unwinding those relationships. Now, once again, hospitals and healthcare associations are buying up physicians' practice groups."

At the same time, he said, there's a noticeable increase in entrepreneurs offering practice groups ancillary revenue-boosting opportunities – many of them illegal arrangements involving kickbacks for such things as in-office tests patients don't really need.

A number of Medicare demonstration projects already underway are causing concern to healthcare organizations, Mr. Folk said, particularly those regarding reimbursement based on "episodic care."



Photo by Maxine Usdan

Miami Jewish Health Systems COO Morris Funk said the nursing home operator needs to work with other health care providers to share costs while still providing high-quality service.

Instead of paying per procedure, Medicare will pay a lump sum for a medical episode such as a coronary bypass, which will then have to be divvied up among all providers, from doctors to post-operative care facilities to homecare nurses.

"More and more procedures which have been done in acute-care hospitals will go to outpatient settings," he said, "and even to in-office surgical suites."

"I represent a number of OB-GYN groups building in-office facilities. The procedures cost less, and the patients tend to be a lot happier."

The change to episodic Medicare payments is a concern for Miami Jewish Health Systems, or MJHS, said COO Morris "Mo" Funk.

"We will be at financial risk to cover the costs of procedures," he said. "We need to make sure that we are positioning ourselves with other institutions in our town and figuring out ways we can work together, share these bundled payments and still be able to provide a high quality of ser-



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Mark D. Folk

vice. People will be looking at ways to reduce the number of services, and that is a scary thought."

The healthcare bill's focus on community-based programs combined with the wave of new Medicare patients coming down the pike, especially in states such as Florida with large retiree populations, will mean more patients will opt to stay in their own homes rather than move into assisted-living facilities, Mr. Funk said. MJHS has been gearing up for that change for some time with PACE, an acronym for Program of All-Inclusive Care for the Elderly, whose goal is to

keep seniors living at home as long as possible.

In addition, he said, healthcare providers are scrambling to find the dollars for electronic medical recordkeeping.

"We have to find a way to communicate better with all healthcare providers so that we are sharing information in real time," Mr. Funk said. "We've already reached out to two local acute-care hospitals that use the same system we do to make information-passing easier as folks are being transferred to us or back to them, and hopefully we will do the same with others."

With narrow profit margins averaging 3%-5%, retail pharmacies are also feeling the pain, said Albert Garcia, executive vice president & head of pharmacy for Navarro Discount Pharmacy, which he says is the 19th largest drug-store chain in the nation. Navarro operates 28 discount pharmacies in Miami-Dade County.

"We could see many pharmacies become unable to handle Medicaid and Medicare prescriptions because there isn't enough reimbursement to cover their costs," he said. "Some pharmacies will close, especially independents."

"We definitely feel the brunt of it as well; negative reimbursement will create problems for us and could also hamper growth."

Insurance companies are already hiking their rates, Mr. Garcia said, "and higher copays and more out-of-pocket costs are concerning all around" – not least because most employers are seeing large increases in their rates.

One positive note, he said, is "a provision for medication therapy management that will give us the opportunity to be more a part of the healthcare team, especially for patients with chronic illnesses."

"The bill includes provision where a grant program will give the pharmacist the ability to spend time with the patient and insure that it is the most appropriate therapy and they are using the medication correctly."

But all of this is just the tip of the iceberg.

"What's scary," Mr. Farrell said, "is that we have the law, but we have to wait for implementing legislation. That means re-engineering one-sixth of our GDP. There will be a spate of litigation coming out. It could take years."