



Regulatory and Legislative Outlook

Case Studies



Engagement Type

Transaction Diligence

Annual Retainer

Situation

Marwood was engaged to provide state and federal outlook on legislative and regulatory catalysts which impact reimbursement for a multi-state provider of Home Health, Hospice and Personal Care services.

Marwood partnered with a large debt provider in the post-acute sector to track, analyze and advise on key legislative and regulatory changes at the federal and state level that impact companies within its portfolio.

- Legislative and regulatory outlook for Personal Care, Home Health and Hospice services
- Reimbursement outlook for Personal Care, Home Health and Hospice services, which included payment methodology overviews, reimbursement outlook, Value-Based Purchasing and Pay-for-Performance initiatives, Utilization Management and Scenario Analyses
- Evaluate Medicaid Managed Care reimbursement and network strategies in key states
- Home Health and Hospice Medicare data benchmarking analyses to compare the Company's performance in key metrics against providers on a national and state level

Marwood structured a team and process to support the Client with customized, timely insights that included:

- Review and curation of applicable federal and state regulatory events, activities and announcements
- On-demand conference calls with Marwood analysts to review and discuss effects of Legislative and Regulatory changes
- Analysis of changes to Medicare and Medicaid reimbursement
- Sector-specific outlook and horizon reform impact(s)

Sample Work and Deliverables

New Legislation Require Collection Of Standardized Data From PAC Providers; Site-Neutral PAC Payment Is Far Off (At Best)

- Marwood believes that the passage of the IMPACT Act reduces the prospects for implementation of a single post-acute care payment system in the foreseeable future. It also suggests that there is not a bipartisan consensus in Congress for cutting payments to PAC providers.
- On October 16, 2014, the IMPACT Act was signed into law. Budget considerations may ultimately accelerate the timeline, but either way the legislation is a modestly good sign for HHAs (i.e. relative to a package of proposed PAC payment rules).
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CMS is Launching A New Home Health VBP Demo/Model, Beginning In CY 2016 (Does Not Impact The Company's Key States)

- Marwood believes the new Home Health VBP program could be a first step for a nationwide program, although implementing a nationwide program would need legislation.
- On October 16, 2014, CMS is launching a new Home Health VBP program in 10 states including Massachusetts, Maryland, North Carolina, Florida, Washington, Illinois, West Virginia and Tennessee.
- All states have been selected for one year of the program to compare the performance of their state to the national average. The program will be implemented in the first quarter of 2016.
- Up to 3% of payment (depending on the model) will be distributed based on the provider's performance in a variety of categories, including the performance of other providers and the use of care performance (e.g. in 2015, for the 2014 performance year).
- The model will be used to determine how the program will be implemented in 2016 with the first year of financial impact being 2016.
- Payment to providers will be based on the provider's performance in the first year of the model. The maximum payment will be based on the provider's performance in the first year of the model.
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Increases in Commercial And Medicare Insurance Coverage Will Have Very Limited Impact On Home Health, No Impact On Hospice

- Marwood believes that the increase in coverage for both commercial and Medicare insurance will have very limited impact on home health care and no impact on hospice. Impact may be greater on the home personal care rate.
- As a result of the increase in coverage for both commercial and Medicare insurance, the impact on home health care will be limited. The impact on hospice will be limited.
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The Company's Average Length Of Stay Is Longer Than Benchmarks, Which Could Lead To Margin Pressure As Payment Rates Change

- Length of stay varies greatly among different programs and providers, resulting in different payment rates in spending per discharge for patients.
- Providers with lower lengths of stay are less likely to draw attention from regulators trying to control length of stay growth, and are potentially less likely to be impacted adversely by public payers than by longer length of stay.
- Providers with longer than average lengths of stay will likely see margin compression in new Medicare payment rates on implementation.
- Long stay patients are more profitable for providers due to more days of care intensity of care between the beginning and end of an episode.

Issue	Risk	Comments
Medicaid Delivery System	High	<ul style="list-style-type: none"> Several states SNF services either through PPS or managed care depending on where the person is located in the state (voluntary and mandatory) and around 80% of the Medicaid population are currently enrolled in managed care throughout the state. Beginning in July 1, 2016, the managed care program will be necessary for all new admissions that are not in managed care. The program will be implemented in the first quarter of 2016. The program will be implemented in the first quarter of 2016.
Medicaid Fee Methodology	High	<ul style="list-style-type: none"> The State issued a RUG-3 update in January 2014 from RUG-3B and increased the base per diem rate to \$85.25. The increase was effective July 2014. The program will be implemented in the first quarter of 2016. The program will be implemented in the first quarter of 2016.
Medicaid Fee	High	<ul style="list-style-type: none"> Due to a P12 budget deficit, most Medicaid providers, including SNFs, received a 2.25% rate reduction. Continuation of the rate cut is likely since the budget is still in deficit. The program will be implemented in the first quarter of 2016. The program will be implemented in the first quarter of 2016.
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Issue	Marwood Outlook
Appropriations	<ul style="list-style-type: none"> Proposed budget agreement extends federal state line authority through March 31, 2017. Government would be funded for 2016 at \$50 billion above ACA caps, \$50 billion above caps for 2017.
Speaker Ryan Impact	<ul style="list-style-type: none"> House focus will likely shift toward tax policy. Low probability of any major tax legislation in this Congress outside of riders.
Healthcare Legislation	<ul style="list-style-type: none"> 2014 Century Cures The Senate is currently working on companion legislation. The current version is quite different from the House version and will need to be reconciled. It is possible that this legislation could be passed in 2016, although timing may be an issue. Language could appear as part of FDA's 2017 user fee reauthorization (if progress made). Medicaid Senate and Chairman Lamar Alexander (R-TN) and Ranking Member Pat Toomey (R-PA) introduced broad medical health legislation and a full economic market on March 18. Recent changes in the macro political environment, combined with longstanding albeit relatively unclear issues have lowered the odds that Congress will be able to enact medical health reform in 2016.
Sequester	<ul style="list-style-type: none"> 2% Medicare sequester likely to continue for the foreseeable future.