On October 2, 2012, the Office of Inspector General for the U.S. Department of Health and Human Services released its Work Plan for Fiscal Year 2013 (Work Plan), giving stakeholders a glimpse into what the government has in store for the healthcare industry in 2013. The Work Plan outlines projects that several federal agencies will undertake in the upcoming fiscal year and provides information on issues that affect multiple programs, including those involving the use of federal funds at the state and local governmental levels. This latest Work Plan places greater emphasis on issues related to hospital billing and payment, DMEPOS suppliers, and Medicare contractors, indicating a broad objective of improving the use of government funds and programs. Providers, suppliers, and payors are likely to be significantly impacted by new projects, as well as by the oversight activities of existing programs, and should prepare their organizations to meet the challenges posed in the year ahead.

For hospitals, the Work Plan outlines several notable areas of concern. There are 25 projects that will evaluate the Centers for Medicare and Medicaid (CMS) policies on payments to hospitals under Medicare Parts A and B, and 11 of these programs are new. Payment rates for hospitals “transfer of patients to other facilities will be examined, as well as the current Medicare payment practice that reimburses hospitals for the full Medicare diagnostic related group (DRG) rate when a patient with a short length of stay is transferred to hospice.” Another program will examine the variation in hospital billing practices that has occurred over the past several years since changes to the Medicare DRG payment rates went into effect in 2008, and will consider whether, under the Medicare bundled payment formula, additional Medicare savings can be generated by expanding the window in which Medicare covers care provided in the days leading up to a hospital admission from three days to fourteen. A new project will audit Medicare payments for mechanical ventilation in order to determine if hospitals provided the 96 hours of mechanical ventilation minimally required for certain DRG payments. The OIG will also scrutinize Medicare payments for short-stay claims that resulted from surgeries being canceled and later rescheduled, as under current Medicare policy, providers may be reimbursed for both stays despite providing little to no care during the initial stay that resulted in the cancellation.

Other projects centered around Medicare payments include evaluation of ambulatory surgical center (ASC) acquisitions by hospitals and a review of the Recovery Audit Contractor (RAC) program. Because services provided in an outpatient hospital setting are reimbursed at a higher rate than those provided in an ambulatory setting, hospitals may be converting newly-acquired ASCs into outpatient hospital departments in order to increase reimbursement for surgical services, and the OIG will examine the impact this trend has had on both Medicare payments and beneficiaries’ costs. A new program will audit RACs’ success at identifying potential fraud in the Medicaid system, as the Patient Protection and Affordable Care Act (ACA) expanded the Medicare RAC program to Medicaid and required states to implement their own programs in 2012. This OIG project may have been spurred by the performance problems identified with the Medicare RAC program earlier this year. For more discussion on the Medicare RAC program performance report and other federal auditing programs, see the June 2012 HC Topics article, “Auditing Programs: Back to the Drawing Board?”

There are nearly 30 projects related to the Affordable Care Act’s implementation, 8 of which are new for fiscal year 2013. Federal grants to states for the purpose of establishing health insurance exchanges will be reviewed to ensure the exchanges effectively prevent healthcare fraud, abuse, and waste, and the OIG will review state Health Insurance Assistance Programs (SHIPS) to determine the extent to which they report potential fraud in the Medicaid system, as the

Though the Work Plan’s projects span a range of healthcare industry sectors, it is clear that a major focus of the 2013 Work Plan is to target billing and payment practices in order to reduce the occurrence of fraud, abuse, and waste. Given the breadth of these projects, industry stakeholders should review the Work Plan in depth to determine the potential impact on their respective operations.
4 Ibid.
5 Ibid.
6 Ibid.
8 “OIG to Investigate Hospital Payments in 2013” By Cheryl Clark.
9 Ibid.
10 Ibid.
11 Ibid.
12 Ibid.
13 Ibid.

(Continued on next page)
Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: “Accountable Care Organizations: Value Metrics and Capital Formation” [2013 - Taylor & Francis, a division of CRC Press], “The Adviser’s Guide to Healthcare” – Vols. I, II & III [2010 – AICPA], and “The U.S. Healthcare Certificate of Need Sourcebook” [2005 - Beard Books]. His most recent book, entitled “Healthcare Valuation: The Financial Appraisal of Enterprises, Assets, and Services” will be published by John Wiley & Sons in the Fall of 2013.

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious “Shannon Pratt Award in Business Valuation” conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows. In 2011, he was named a Fellow of the Royal Institution of Chartered Surveyors (RICS).

Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the President of HEALTH CAPITAL CONSULTANTS (HCC), where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives, and serves as President of the St. Louis Chapter of the American Society of Appraisers (ASA). He has co-authored “Research and Financial Benchmarking in the Healthcare Industry” (STP Financial Management) and “Healthcare Industry Research and its Application in Financial Consulting” (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser’s Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.

Anne P. Sharamitaro, Esq., is the Executive Vice President & General Counsel of HEALTH CAPITAL CONSULTANTS (HCC), where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. Ms. Sharamitaro has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in “Healthcare Organizations: Financial Management Strategies,” published in 2008.