

## Healthcare Reform: Impact on Physicians

The Patient Protection and Affordable Care Act (ACA) and the Health Care and Education Reconciliation Act (Reconciliation Act), collectively referred to as “healthcare reform,” will implement numerous changes impacting physician providers. Several of these provisions affect primary care physicians and specialists separately, while other provisions will impact all physician providers with an increased focus on the coordination of patient care.<sup>1</sup>

### PROVISIONS AFFECTING ALL PHYSICIAN PROVIDERS

One of the primary goals of healthcare reform is to improve quality of care and increase patient access to care while controlling healthcare costs. In order to achieve these goals, the reform legislation has laid out several initiatives, for example: ten percent Medicare bonus payments to primary care physicians as well as general surgeons working in rural areas from 2011 to 2016; implementation of a relative value based modifier to enable physician payments based on quality metrics; and, various expanded regulatory compliance and disclosure requirements.<sup>2</sup>

Over the next ten years, \$250 million has been dedicated by the ACA to fund the expansion of fraud and abuse compliance. Beyond government “policing,” the ACA requires physicians to actively identify possible Stark Law violations through the Health and Human Services (HHS) designed self-disclosure protocol. Under this provision, physicians who voluntarily disclose potential Stark violations may receive reduced penalties if violations are in fact found.<sup>3</sup> Additionally, disclosure under the Physician Payments Sunshine Act, passed within the ACA, requires companies (e.g., pharmaceutical and medical device firms) to record any physician payment over \$10 in 2012 and begin reporting these amounts on March 31, 2013.<sup>4</sup>

Beginning in 2011, CMS will launch the “*Physician Compare*” website, which is designed to disseminate provider quality measures reported through the Physician Quality Reporting Initiative (PQRI).<sup>5</sup> From 2011 to 2014, participation in the PQRI will be voluntary and CMS will provide Medicare incentive payments (one percent in 2011 and 0.5 percent from 2012-2014) for providers who participate in the program. However, beginning in 2015, failure to participate in the PQRI will result in a 1.5 percent reduction in Medicare payments.<sup>6</sup>

In order to increase quality and lower costs, healthcare reform encourages the coordination of patient care. Many provisions of the ACA hope to achieve this integration between providers by changing the way in which physician practices are structured. Beginning in 2011 and beyond, the ACA provides for the implementation of various demonstration projects and new delivery models to test the effectiveness of various reform initiatives, including Accountable Care Organizations (ACOs) and bundled payment structures.<sup>7</sup> For more information on ACOs and bundled payment, see Health Capital Topics Vol. 3, Issue 8: *Emerging Healthcare Organizations: Accountable Care Organizations*, and Health Capital Topics Vol. 3, Issue 10: *Emerging Healthcare Organizations: Bundled Payments*. If these small scale endeavors prove successful, the law provides for the extension and expansion of the programs on a national scale.<sup>8</sup> Industry experts are urging physicians and small group practices to align themselves with other healthcare enterprises now in order to best position themselves to take advantage of the benefits offered by the Medicare Shared Saving Program, which are scheduled to take effect in 2012.<sup>9</sup>

### PROVISIONS AFFECTING PRIMARY CARE PHYSICIAN PROVIDERS

Healthcare reform is also addressing the looming shortage of primary care providers. To encourage more medical students to concentrate on primary care, healthcare reform provides for expanded funding for scholarships and loan repayments for primary care providers working in underserved areas beginning in 2011. To supplement workforce shortages, reform initiatives will also expand primary care and nurse training programs, such as the Medicare Graduate Medical Education Program, beginning in July 2011.<sup>10</sup> Primary care providers (pediatricians, family physicians, and internists) will also receive increased Medicaid payments starting in 2013, gradually increasing to Medicare payments levels by 2014.<sup>11</sup>

Another focus of the ACA is ensuring patient access to preventive care services. As such, several provisions require insurance providers to expand coverage to include these types of services. In addition, no payments or deductibles will be required under Medicare for annual wellness visits or for the development of

personalized prevention plans. These incentives may influence primary care providers to change the focus of their practices and the scope of services offered.<sup>12</sup>

#### PROVISIONS AFFECTING SPECIALTY PHYSICIAN PROVIDERS

Specialty physician providers may experience increased regulatory limitations on their practice under healthcare reform. In addition to increased Stark disclosures, physicians are required under the ACA to inform all patients at the time of referral, in writing, of any alternative imaging providers (to be listed for the patient), other than the one suggested by the referring physician.<sup>13</sup>

#### CONCLUSION

Overall, changes to the US healthcare delivery system under the reform initiatives are intended to improve the quality of care delivered to patients, as well as to reign in healthcare costs and increase patient access. Many physicians are critical of healthcare reform for failing to address issues regarding: the Medicare Sustainable Growth Rate (SGR); increases in the cost of pharmaceuticals production; and, changes to the Medicare benefit structure for patients.<sup>14</sup> While time will tell who the ultimate winners and losers will be, amid the looming uncertainty of reform, one thing remains clear – healthcare reform must be viewed as a *process* rather than as a single *event*. This series will continue to explore this process in the next issue with a discussion regarding the impact of healthcare reform on employers.

<sup>1</sup> "Doctors concerned about effects of healthcare reform" By Bernie Monegain, Posted on Healthcare Finance News, January 20, 2011, <http://www.healthcarefinancenews.com/news/doctors-concerned-about-effects-healthcare-reform> (Accessed 1/28/11).

<sup>2</sup> "Health Reform and the Decline of Physician Private Practice" Merritt Hawkins, For The Physicians Foundation, Accessed at <http://www.physiciansfoundations.org/uploadedFiles/Health%20Reform%20and%20the%20Decline%20of%20Physician%20Private%20Practice.pdf> (Accessed 1/28/11), p. 11-12; "The Patient Protection and Affordable Care Act" Drinker Biddle & Reath LLP: Health Government Relations Group, April 2010, Accessed at <http://www.drinkerbiddle.com/files/Publication/9c21e026-45cf-48de-b7c9-9abcb3f48412/Presentation/PublicationAttachment/f0364126-f959-430c-be4e-9be51aec2f4f/ACA.pdf>

(Accessed 2/11/11), p. 4,5.

<sup>3</sup> "The Patient Protection and Affordable Care Act" Drinker Biddle & Reath LLP: Health Government Relations Group, April 2010, Accessed at <http://www.drinkerbiddle.com/files/Publication/9c21e026-45cf-48de-b7c9-9abcb3f48412/Presentation/PublicationAttachment/f0364126-f959-430c-be4e-9be51aec2f4f/ACA.pdf> (Accessed 2/11/11), p. 4.

<sup>4</sup> "New Health Law Will Require Industry To Disclose Payments to Physicians" By Arlene Weintraub, Kaiser Health News, April 26, 2010; "Patient Protection and Affordable Care Act" Pub. L. 111-148, March 23, 2010, p. 571.

<sup>5</sup> "Major Provisions of the Affordable Care Act" The Commonwealth Fund, 2010, <http://www.commonwealthfund.org/Health-Reform/Health-Reform-Resource.aspx#IntTool&year={7F4BA736-31F4-4BEF-8907-3F4D725E746E}&page=3> (Accessed 1/28/11).

<sup>6</sup> "Health Reform and the Decline of Physician Private Practice" Merritt Hawkins, For The Physicians Foundation, Accessed at <http://www.physiciansfoundations.org/uploadedFiles/Health%20Reform%20and%20the%20Decline%20of%20Physician%20Private%20Practice.pdf> (Accessed 1/28/11), p. 11.

<sup>7</sup> "Patient Protection and Affordable Care Act" Pub. L. 111-148, March 23, 2010, p. 277-279.

<sup>8</sup> "Patient Protection and Affordable Care Act" Pub. L. 111-148, March 23, 2010.

<sup>9</sup> "Health Reform and the Decline of Physician Private Practice" Merritt Hawkins, For The Physicians Foundation, Accessed at <http://www.physiciansfoundations.org/uploadedFiles/Health%20Reform%20and%20the%20Decline%20of%20Physician%20Private%20Practice.pdf> (Accessed 1/28/11), p. 11-12.

<sup>10</sup> "The Patient Protection and Affordable Care Act" Drinker Biddle & Reath LLP: Health Government Relations Group, April 2010, Accessed at <http://www.drinkerbiddle.com/files/Publication/9c21e026-45cf-48de-b7c9-9abcb3f48412/Presentation/PublicationAttachment/f0364126-f959-430c-be4e-9be51aec2f4f/ACA.pdf> (Accessed 2/11/11), p.2.

<sup>11</sup> "The Patient Protection and Affordable Care Act" Drinker Biddle & Reath LLP: Health Government Relations Group, April 2010, Accessed at <http://www.drinkerbiddle.com/files/Publication/9c21e026-45cf-48de-b7c9-9abcb3f48412/Presentation/PublicationAttachment/f0364126-f959-430c-be4e-9be51aec2f4f/ACA.pdf> (Accessed 2/11/11), p. 5.

<sup>12</sup> "The Patient Protection and Affordable Care Act" Drinker Biddle & Reath LLP: Health Government Relations Group, April 2010, Accessed at <http://www.drinkerbiddle.com/files/Publication/9c21e026-45cf-48de-b7c9-9abcb3f48412/Presentation/PublicationAttachment/f0364126-f959-430c-be4e-9be51aec2f4f/ACA.pdf> (Accessed 2/11/11), p. 1.

<sup>13</sup> "New Health Law Will Require Industry To Disclose Payments to Physicians" By Arlene Weintraub, Kaiser Health News, April 26, 2010.

<sup>14</sup> "Healthcare Reform: Missing the Mark" By Casey Crotty, Medical Group Management Association: Primary Care Assembly, Posted on National Healthcare Reform Magazine, July 13, 2010, <http://healthcarereformmagazine.com/article/healthcare-reform-missing-the-mark.html>



(800) FYI - VALU

*Providing Solutions  
in the Era of  
Healthcare Reform*

Founded in 1993, HCC is a  
nationally recognized healthcare  
economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

**HEALTH CAPITAL CONSULTANTS (HCC)** is an established, nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, Missouri, with regional personnel nationwide. Founded in 1993, HCC has served clients in over 45 states, in providing services including: valuation in all healthcare sectors; financial analysis, including the development of forecasts, budgets and income distribution plans; healthcare provider related intermediary services, including integration, affiliation, acquisition and divestiture; Certificate of Need (CON) and regulatory consulting; litigation support and expert witness services; and, industry research services for healthcare providers and their advisors. HCC's accredited professionals are supported by an experienced research and library support staff to maintain a thorough and extensive knowledge of the healthcare reimbursement, regulatory, technological and competitive environment.



**Robert James Cimasi**, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as President of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

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: *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books], *“An Exciting Insight into the Healthcare Industry and Medical Practice Valuation”* [2002 – AICPA], and *“A Guide to Consulting Services for Emerging Healthcare Organizations”* [1999 John Wiley and Sons].

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.



**Todd A. Zigrang**, MBA, MHA, ASA, FACHE, is the Senior Vice 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, and is a Fellow of the American College of Healthcare Executives. 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 Vice President 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. She 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.