Fraud and Abuse in Healthcare: CMS Extends Moratorium on the Certification of New Home Health Agencies in Certain Areas

On February 2, 2016, the Centers for Medicare and Medicaid Services (CMS) announced that the agency is extending the temporary moratorium on certifying Medicare home health agencies (HHA) and Medicare Part B ground ambulance suppliers in select metropolitan areas across the U.S., until July 29, 2016.\(^1\) The moratorium targets certain counties, viewed by CMS as areas with high rates of healthcare fraud and abuse, in six (6) states, i.e.: Florida, Illinois, Michigan, Texas, Pennsylvania, and New Jersey.\(^2\) Since CMS initially instituted the moratorium on July 30, 2013, for select counties in Texas, Florida, and Illinois, CMS has further extended and broadened the moratorium to include additional counties and states on five different instances: January 30, 2014, August 1, 2014, February 2, 2015, July 28, 2015, and January 29, 2016.\(^3\) This moratorium reflects the continued scrutiny of healthcare fraud and abuse by government regulators, which may influence the operations of healthcare providers.\(^4\) This Health Capital Topics article will detail the history of CMS’s utilization of the moratorium on provider certification, and how this regulatory tool reflects the overall trend of continued scrutiny related to healthcare fraud and abuse.

As a result of the Patient Protection and Affordable Care Act (ACA), Congress bestowed CMS with increased authority to combat fraud, waste, and abuse in Medicare, Medicaid, and the Children’s Health Insurance Program (CHIP).\(^5\) With the addition of Section 1866(j)(7) to the Social Security Act, the Secretary of the Department of Health and Human Services (HHS) now holds the authority to issue temporary moratoria on the enrollment of new providers of Medicare, Medicaid, and CHIP healthcare services, requiring all states to comply unless it is deemed by the state that the moratorium restricts access to care for the Medicaid population.\(^6\) In collaboration with the Department of Health and Human Services Office of Inspector General (HHS-OIG) and the Department of Justice (DOJ), CMS utilizes the Medicare Fraud Strike Force teams within the Health Care Fraud Prevention and Enforcement Action Teams (HEAT) to discover, investigate, and eliminate perpetration of healthcare fraud and abuse.\(^7\) Through varying data analysis techniques, regulators search for high billing levels in healthcare fraud hotspots. In pursuit of preventing healthcare fraud, “CMS identified all counties across the nation with 200,000 or more Medicare beneficiaries” and tested for varying metrics believed “to be key indicators of potential fraud risk.”\(^8\) For example, investigators identified “the number of providers or suppliers per 10,000 Medicare fee-for-service (FFS) beneficiaries and the compounded annual growth rate in provider or supplier enrollments,”\(^9\) and also referenced the “2012 FFS Medicare payments to providers and suppliers in the target locations based on the average amount spent per beneficiary who used services.”\(^10\)

After the initial moratorium in 2013, CMS and HHS-OIG discovered that fraud schemes “replicate rapidly within communities,” with healthcare fraud migrating and adapting as law enforcement and government regulators target a specific fraud scheme.\(^11\) For example, in Miami-Dade County, Florida, CMS analysis discovered that there were “37.6 home health agencies per 10,000 Medicare fee-for-service (FFS) beneficiaries” compared to the “1.8 home health agencies per 10,000 Medicare FFS beneficiaries) in 25 comparison counties.”\(^12\) Additionally, Miami-Dade County HHAs received an average reimbursement of $10,000 per Medicare home health beneficiary in 2012, in contrast to an average of $6,000 per Medicare home health beneficiary in 25 comparison counties.\(^13\) Based on these findings, CMS decided to have the moratorium put into place in three metropolitan areas, which includes: (1) Miami, (2) Chicago and, (3) Houston.\(^14\)

In general, access to care does not appear to be impacted with the extension of the moratorium.\(^15\) “CMS reviewed its own data regarding the number of providers and suppliers in the target and surrounding counties” and did not identify any potential issues related to access to healthcare services.\(^16\) Additionally, an independent congressional agency tasked, among other things, with monitoring Medicare beneficiaries’ access to care, the Medicare Payment Advisory Commission (MedPAC), produced a report that suggested access would not be impacted by the moratorium.\(^17\) In fact, the March 2013 report by MedPAC “recommended that CMS use its authorities” to identify providers with fraudulent or risky behavior.\(^18\) MedPAC opined that a moratorium on the establishment of new HHAs would prevent new agencies from entering saturated markets.\(^19\) Additionally, the National
Association for Home Care & Hospice, which represents 33,000 home care and hospice organizations, lobbied to grant CMS the moratorium authority and supported the various extensions and expansion of the moratorium, stating that the moratorium is a “necessary and appropriate measure” to combat fraud, abuse, and waste in home health. The Partnership for Quality Home Healthcare, a coalition of home health providers, also supported the moratorium after their analysis of Medicare claims data showed “that nearly 90 percent of all aberrant Medicare home health spending was occurring in a small number of counties in just a few states.”

Providers should be cognizant of the increased regulatory scrutiny against fraud, waste, and abuse in the U.S. healthcare delivery system. According to a 2012 study published in JAMA, the total waste on the U.S. system is estimated at $558 billion per year. Furthermore, data from the Federal Bureau of Investigation (FBI) and CMS demonstrates that HHA providers who are intending to defraud payers and patients often inflate “HHA diabetic episodes to create outlier payments which are in excess of the national 60-day episode payments,” potentially costing Medicare $1 billion in 2009 alone. Providers should be increasingly vigilant, as this scrutiny of HHAs is in line with heightened scrutiny in other areas of the healthcare industry, such as physician compensation and tax-exempt status.


5 “Medicare, Medicaid, and Children’s Health Insurance Programs: Announcement of Temporary Moratoria on Enrollment of Ambulances, Suppliers and Home Health Agencies in Designated Geographic Locations” Federal Register Vol. 78, No. 147 (July 31, 2013) p. 46340.

6 Ibid.

7 Ibid, p. 46341.

8 Federal Register, Vol. 79, No. 23 (February 4, 2014) p. 6477.

9 Ibid.

10 Ibid.

11 Ibid.


13 Ibid.

14 Ibid.


16 Federal Register, Vol. 78, No. 147 (July 31, 2013) p. 46342.

17 Ibid.

18 Ibid.


21 Aldrich and Benson, November 2013.


Mr. Cimasi holds a Master in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Institution of Chartered Surveyors (FRICS – Royal Institution 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&A – 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 industry topics. He is the author or co-author of several books, the latest of which include: “Adviser’s Guide to Healthcare – 2nd Edition” [2015 – AICPA]; “Healthcare Valuation: The Financial Appraisal of Enterprises, Assets, and Services” [2014 – John Wiley & Sons]; “Accoutable Care Organizations: Value Metrics and Capital Formation” [2013 - Taylor & Francis, a division of CRC Press]; and, “The U.S. Healthcare Certificate of Need Sourcebook” [2005 - Beard Books].

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 of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 20 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 1,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of the “Adviser’s Guide to Healthcare – 2nd Edition” [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: The Accountant’s Business Manual (AICPA); Valuing Professional Practices and Licenses (Aspen Publishers); Valuation Strategies: Business Appraisal Practice; and, NACVA QuickRead. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA), the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is currently Chair of the ASA Healthcare Special Interest Group (HSIG).

John R. Chwarzinski, MSF, MAE, is Senior Vice President of HEALTH CAPITAL CONSULTANTS (HCC). Mr. Chwarzinski’s areas of expertise include advanced statistical analysis, econometric modeling, as well as, economic and financial analysis. Mr. Chwarzinski is the author of peer-reviewed and industry articles published in Business Valuation Review and NACVA QuickRead, and he has spoken before the Virginia Medical Group Management Association (VMGMA) and the Midwest Accountable Care Organization Expo.

Mr. Chwarzinski holds a Master’s Degree in Economics from the University of Missouri – St. Louis, as well as, a Master’s Degree in Finance from the John M. Olin School of Business at Washington University in St. Louis. He is a member of the St. Louis Chapter of the American Society of Appraisers, as well as a candidate for the Accredited Senior Appraiser designation from the American Society of Appraisers.

Jessica L. Bailey-Wheaton, Esq., is Senior Counsel of HEALTH CAPITAL CONSULTANTS (HCC), where she conducts project management and consulting services related to the impact of both federal and state regulations on healthcare exempt organization transactions and provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services. Ms. Bailey is a member of the Missouri and Illinois Bars and holds a J.D. with a concentration in Health Law, from Saint Louis University School of Law, where she served as Fall Managing Editor for the Journal of Health Law & Policy.

Kenneth J. Farris, Esq., is a Research Associate at HEALTH CAPITAL CONSULTANTS (HCC), where he provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services, and tracks impact of federal and state regulations on healthcare exempt organization transactions. Mr. Farris is a member of the Missouri Bar and holds a J.D. from Saint Louis University School of Law, where he served as the 2014-2015 Footnotes Managing Editor for the Journal of Health Law & Policy.