

Increased Fraud and Abuse Scrutiny of Hospice Reimbursement

Between 2005 and 2011, Medicare spending on hospice care for nursing home residents increased 70 percent.¹ Hospice services are available under Medicare for patients who are terminally ill and have a life expectancy of 6 months or less. Additionally, a physician must certify that the individual qualifies for the *Medicare Hospice Benefit* and periodically re-certify that the patient is eligible for hospice benefits.² Violation of either of these conditions is considered fraud. While fraud and abuse scrutiny has increased across the healthcare industry, particularly since the formation of the Health Care Fraud Prevention and Enforcement Action Team (HEAT) in May 2009,³ reimbursement for hospice services has received specific attention due, in part, to reports by the Medicare Payment Advisory Committee (MedPAC) regarding increased lengths of stay for residents in hospice enterprises over the past several years. As a result of this increased scrutiny, many hospice providers that allegedly sought false Medicare claims have been subject to whistleblower suits, and are now facing legal and financial repercussions.

A recent 2012 whistleblower suit involving two former employees of AseraCare Hospice, a company owned by Golden Living that operates 65 hospice centers across 19 states, accused AseraCare of “...reckless business practices.”⁴ The suit alleged that the company sought claims for hospice care for patients who were not terminally ill in order to maximize Medicare reimbursements, and that from 2005 to 2009, approximately 36 percent to 79 percent of patients discharged were still living.⁵ The government joined the whistleblower suit on January 12, 2012, and is seeking treble damages and a penalty of \$5,000 to \$11,000 per claim.⁶

In another recent case of alleged Medicare fraud, Hospice Care of Kansas (HCK) was accused, by a former nurse, of billing Medicare for hospice services provided to ineligible patients, i.e., those patients with more than 6 months to live. An investigation revealed that HCK provided aggressive incentives to employees, physicians, and local nursing homes, including financial gains, gift cards, and free vacations, in order to generate high referrals of ineligible patients, i.e., approximately 25 percent of the enrolled patients at HCK in 2005 did not meet hospice eligibility requirements.⁷ Ultimately, HCK settled the case for \$6.1 million in June 2012.⁸

As mentioned above, a June 2008 MedPAC Report stated that hospice utilization trends showed an increase in lengths of stay at for-profit hospice care facilities, and higher total reimbursement costs related to hospice care. The 2008 Report also noted that the regulations and payment system for Medicare hospice care has not been updated since 1983, “...*expos[ing] weaknesses in the Medicare payment system and adverse incentives that may unduly influence some hospices to provide care in a manner not warranted by patients’ clinical needs,*” and specifically “...*provid[ing] an incentive for hospices to seek patients likely to have long hospice episodes, which are more profitable...*”⁹

In a subsequent March 2012 Report, MedPAC stated that the average length of stay for hospice users grew 59 percent, from 2000 (54 days) to 2010 (86 days).¹⁰ The 2012 Report echoed the findings and recommendations first stated in the 2008 Report regarding a need for greater accountability and quality data collection from providers regarding the utilization of Medicare hospice benefits.¹¹

The U.S. Department of Health and Human Services (HHS) and the Office of Inspector General (OIG) recommended in the *Health Care Fraud and Abuse Control Program Annual Report for Fiscal Year 2011*, that CMS begin to monitor payments to “...*hospices that depend heavily on nursing facility residents and modify the payment system for hospice care in nursing facilities,*” and modify the current hospice reimbursement structure, which incentivizes hospices to target “...*nursing facility beneficiaries who often receive longer but less complex care.*”¹² While, to date, no action has been taken to change reimbursement incentives for hospice services, fraud and abuse scrutiny of these facilities will likely continue to be present going forward as the U.S. healthcare delivery system evolves within the new era of reform.

1 “The Department of Health and Human Services and The Department of Justice Health Care Fraud and Abuse Control Program Annual Report for Fiscal Year 2011” United States Department of Health and Human Services, February 2012, p. 48.
 2 “Who Pays for Home Care Services,” National Association for Home Care, 1996, <http://www.nahc.org/consumer/wpfhcs.html> (Accessed 2/21/13).⁸

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- 3 “United States Intervenes in False Claims Act Lawsuit Against Orlando, Florida-area Hospice,” the United States Department of Justice, September 6, 2012, <http://www.justice.gov/opa/pr/2012/September/12-civ-1080.html> (Accessed 2/21/13).
- 4 “AseraCare Hospice Accused by U.S. of Defrauding Medicare,” By Tom Schoenberg and Peter Waldman, Bloomberg, January 3, 2012.
- 5 *Ibid.*
- 6 “U.S. Files Complaint Against National Chain Of Hospice Providers Alleging False Claims On The Medicare Program” The United States Attorneys Office Northern Districts of Alabama, Press Release, January 12, 2012, <http://www.justice.gov/usao/aln/News/January%202012/January%2023,%202012%20US%20Files.html> (Accessed 2/26/2013).
- 7 “Aunt Midge Not Dying in Hospice Reveals \$14B Market,” By Peter Waldman, Bloomberg, December 6, 2011.
- 8 “Hospice Care of Kansas and Texas-based Parent Company to Pay \$6.1 Million to Resolve Allegations of False Claims” United States Department of Justice, Press Release, June 21, 2012, <http://www.justice.gov/opa/pr/2012/June/12-civ-768.html> (Accessed 2/26/2013).
- 9 “Evaluating Medicare’s Hospice Benefit,” MedPAC Report to the Congress, June 2008, p. 203-206, 233.
- 10 “Hospice Services: Assessing Payment Adequacy and Updating Payments,” MedPAC Report to the Congress, March 2012, p. 282.
- 11 *Ibid.*, p. 284.
- 12 HHS, February 2012.



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Robert James Cimasi, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as Chief Executive Officer 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.

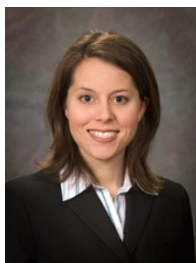
Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master 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: *“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.