

NJHFMA
Healthcare
Current Events
Forum

NJHFMA
Healthcare Current
Events Forum (HCEF)
May 2025

NJ HFMA – Healthcare Current Events Forum

Agenda

- ✓ **National/State Issues**
 - ✓ KPMG Healthcare Update (KPMG)
 - ✓ PBM States Approach (MH)
 - ✓ DSH Update via Supreme Court (MH)
- ✓ **Part A**
 - ✓ Kaufman Hall Hospital Flash Report (KH)
 - ✓ Key Items for Rural Hospitals (KFF)
- ✓ **Part B**
 - ✓ Kaufman Hall Physician Flash Report (KH)
 - ✓ PE Trends for Physician Practices (BKS)
- ✓ **Payers**
 - ✓ Reasons Insurers have Finance Issues (BKS)
- ✓ **Compliance**
 - ✓ OIG Work Plan Updates (HCPRO)
- ✓ **Technology**
 - ✓ AI Phishing Threats (MH)
- ✓ **Next monthly meeting**
 - ✓ Wednesday, September 17, 2025

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✓ National/State Issues

✓ KPMG Healthcare Regulation

- ✓ CMS issued guidance to states and health insurers on individual market rate filing for the 2026 plan year considering uncertainty around legislative action on Marketplace subsidies... The agency signaled that Congress may choose to fund cost-sharing reduction payments (CSRs) and/or allow enhanced premium tax credits to expire, a strategy that experts say would reduce the deficit but result in significantly lower enrollment.
- ✓ President Trump is expected to sign an executive order that would aim to lower drug prices through a “most favored nation” approach by tying prices that Medicaid pays for drugs to international prices; House Republicans were considering including the drug pricing plan in their budget reconciliation package but appear to favor the elimination of a tax deduction for pharmaceutical advertising.

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✓ **National/State Issues**

✓ **KPMG Healthcare Regulation**

- ✓ President Trump signed an executive order directing agencies to accelerate construction of domestic drug manufacturing plants by lowering regulatory requirements. The EO directs the FDA to eliminate “duplicative and unnecessary” requirements and increase fees on and inspections of foreign manufacturing plants, while also ordering the EPA to speed up approval of U.S. plants.
- ✓ HHS and the NIH launched a new universal vaccine platform aimed at quickly developing vaccines against pandemic-prone viruses... This platform is designed to accelerate vaccine creation and enhance preparedness for future viral outbreaks, potentially shifting how pandemics are prevented and controlled.

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✓ **National/State Issues**

✓ **KPMG Healthcare Law and Policy Update**

- ✓ The White House withdrew Dr. Janette Nesheiwat's nomination for US Surgeon general, replacing her with Dr. Casey Means, a holistic medicine doctor who is prominent in the "Make America Healthy Again" (MAHA) movement... Means has come under scrutiny since her nomination over her qualifications for the surgeon general role, including an inactive medical license.
- ✓ A new study by the NIH's National Cancer Institute found increasing rates of cancer among people under 50, particularly breast, colorectal, kidney and uterine cancers... More research is needed to understand the underlying drivers.

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✓ National/State Issues

✓ PBM States Approach

- ✓ For the first time, pharmacy benefit manager parent companies including CVS Health, Cigna and UnitedHealth Group must decide between running moneymaking PBMs or patient-facing pharmacies in Arkansas.
- ✓ Indiana, New York, Oregon, Texas, Vermont and others are considering similar proposals.
- ✓ If these policies proliferate or are imposed nationally, it will trigger a major reorganization of the healthcare sector. As owners of the dominant PBMs, CVS Health and Cigna would be hardest hit by laws forbidding companies from being PBMs and pharmacies.
- ✓ More than 30 states were considering 95 PBM-related bills as of April 17, according to the National Academy for State Health Policy. States have enacted more than 185 laws related to PBM business practices since 2017, the think tank reports.
- ✓ States are mulling policies that address the ways PBMs make money. For instance, numerous states are weighing proposals to ban PBM from utilizing spread pricing, or charging health plans more for medications than they pay to drugstores and pocketing the difference.

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✓ **National/State Issues**

✓ **DSH Update vs. Supreme Court Ruling**

- ✓ Hospitals still plan to use the courts to push for higher Medicare reimbursement for treating low-income patients despite the Supreme Court's disproportionate share hospital payment decision.
- ✓ The Supreme Court earlier this week sided with two lower courts that found SSI should only factor into DSH calculations when Medicare beneficiaries receive cash payments during the same month as their hospital visits.
- ✓ The high court's ruling did not look at whether CMS should expand the way it accounts for patients who qualify for SSI cash payments. If providers can successfully argue the agency needs to do so, that would have a significant impact on annual DSH payments, according to lawyers representing hospitals in some of the pending lawsuits.
- ✓ CMS uses three codes to tally up patients when calculating hospitals' DSH payments — one represents SSI enrollees who receive automatic cash payments and two represent beneficiaries who receive manual cash payments.

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✓ Polling Question #1

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Which of the following is true about States focused on the PBM issue?

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✓ The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement

✓ Kaufman Hall May 2025 Hospital Flash Report (March 2025 Data)

✓ Key Findings

- ✓ 1. Patient volume per calendar day is down significantly in March, month-over-month. Declines in flu and other seasonal respiratory illnesses are responsible for this trend.
- ✓ 2. The cost of delivering care to hospital patients declined from February. Hospitals capitalized on efficiencies realized when transitioning out of the respiratory illness season.
- ✓ 3. Hospital revenue remains flat. However, expenses remain elevated compared to previous years, fueled by supplies and drug expenses.

✓ Operating Margins (Without Corporate Allocations)

- ✓ CYTD – 6.9% Operating Margin March 2025
- ✓ Monthly – 6.7% Operating Margin March 2025

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✓ **The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement**

✓ **Key Items for Rural Hospitals**

- ✓ 1. Rural hospitals account for about one third of all community hospitals nationwide and at least a third of all hospitals in most states.
- ✓ 2. Medicare covered a larger share of hospital discharges in rural than urban areas in 2023, while private insurance covered a smaller share and Medicaid covered a similar share.
- ✓ 3. Medicaid covered nearly half of all births in rural areas, the vast majority of which were in hospitals, in 2023.
- ✓ 4. A larger share of rural than urban hospitals had negative margins in 2023, though more than half of all rural hospitals had positive margins.

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✓ The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement

✓ Key Items for Rural Hospitals

- ✓ 5. Among rural hospitals, positive margins were more common among those that had more beds, higher occupancy, were affiliated with a health system, and were not government-owned in 2023.
- ✓ 6. The ACA Medicaid expansion has helped improve hospital finances, and may especially benefit rural hospitals. (reductions in funding would have a major negative impact)
- ✓ 7. Hospital closures outpaced openings in rural areas from 2017 to 2024, and many rural hospitals have dropped specific service lines over time. (62 closed vs. 10 opened)
- ✓ 8. Medicare provides additional funding for the large majority (96%) of rural hospitals through special payment designations.

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✓ Polling Question #2

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Which of the following is not true for rural hospitals?

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- ✓ **The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement**
- ✓ **Kaufman Hall Q1 2025 Physician Flash Report (March 2025 Data)**
 - ✓ **Key Findings**
 - ✓ 1. Two out of five providers in practices are advanced practice providers (APPs). The gap continues to close driven by surgical and primary care.
 - ✓ 2. Subsidies for surgical specialties continue to grow. Physician practices must carefully consider site of service, which impacts revenue and margin.
 - ✓ 3. Provider compensation is growing slowly. Physician practices should consider retention strategies to keep talent.
 - ✓ **Change Q1 2024 to Q1 2025**
 - ✓ Subsidy per Provider – 4% Increase
 - ✓ Net Patient Revenue per Provider – 5% Increase
 - ✓ Total Direct Expense per Provider - 5% Increase (Physician Comp)

✓ The Centers for Medicare and Medicaid Services (CMS) Part B Reimbursement

✓ PE Firms Approach to Medical Practice Acquisitions

- ✓ 1. PE firms and their management services organizations offer capital and operational expertise to scale practices and respond to the rise in value-based care programs.
- ✓ 2. The ability to consolidate acquisitions into large, scalable platforms makes physician groups attractive investments. According to VMG Health, platform practices can negotiate higher deal prices than smaller, bolt-on practices.
- ✓ 3. A perceived arbitrage opportunity exists when a PE firm can acquire a smaller practice at a lower bolt-on multiple and later sell the consolidated entity at a higher platform multiple, often to another PE firm.
- ✓ 4. PE firms often target practices with ancillary revenue streams, such as services historically performed in hospitals or outpatient settings. By consolidating these services, firms boost revenue. Specialties with high ancillary income potential and low capital intensity are particularly attractive.

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✓ The Centers for Medicare and Medicaid Services (CMS) – Part B Reimbursement

✓ PE Firms Approach to Medical Practice Acquisitions

- ✓ 5. PE firms are increasingly investing in sectors with less reimbursement risk, such as medical spas and dental practices.
- ✓ 6. Many states implemented new regulations in 2023 and 2024 aimed at overseeing healthcare transactions. These rules may limit the ability of PE firms to partner with physician groups through MSOs.
- ✓ 7. PE deal volume in 2024 mirrors trends from 2023, albeit with a slight decline, according to VMG Health. PE remains a major player in the physician medical group subsector. Notably, 2022 marked the highest year on record for PE-driven and overall M&A deals in this space.
- ✓ 8. As of the end of 2024, PE firms have been involved in 280 transactions, accounting for 58.4% of all physician medical group healthcare deals this year.

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✓ Polling Question #3

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Which of the following is a key finding for the Q1 2025 Kaufman Hall Physician Flash Report?

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✓ Payers

✓ Reasons Insurers are having Finance Issues

- ✓ 1. Insurers have contended with rising medical costs in Medicare Advantage since at least early 2024. Executives pointed to several causes, including pent-up demand from the COVID-19 pandemic, rising rates of flu and respiratory illnesses, and physician and outpatient services.
- ✓ 2. Rising premiums could be increasing utilization in MA plans, according to UnitedHealth Group executives. The rising costs could be driving members to engage more with their benefits.
- ✓ 3. Many insurers have also pointed to the high cost of GLP-1 drugs as a major factor behind financial losses.
- ✓ 4. Insurers have also pointed to high-cost specialty medications as another contributor to financial pain.
- ✓ 5. In the Medicaid business, insurers have said payments from states are not keeping up with changes in membership following Medicaid redeterminations.

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✓ **Compliance**

✓ **Office of Inspector General (OIG) Workplan Updates**

- ✓ The OIG regularly highlights widespread problems that lead to inefficiencies, denials, improper payments and more.
- ✓ Providers should stay updated regarding the OIG's Workplan.
- ✓ The OIG now updates its Work Plan on a monthly basis, providing organizations with timely notifications about emerging issues.
- ✓ Health care organizations need to have an individual or team responsible for monitoring the OIG Work Plan and determining which items require them to act.
- ✓ the OIG's focus areas can help organizations uncover errors that will ultimately need to be addressed. To prevent improper payments, denials and revenue leakage, you must stay up to date with the agency's upcoming focus areas and incorporate similar items into their internal audit workflows as needed.

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✓ Technology

✓ AI Enhanced Phishing Threats

- ✓ Attackers are targeting credentials to Microsoft's suite of general office products in recent attacks.
- ✓ Some examples per security services firm Fortra as follows:
 - ✓ • Using financial terms in subject lines and sender names to create a false sense of urgency.
 - ✓ • Composing unique strings in each email helps bypass security filters.
 - ✓ • Nesting a message attached inside another message helps hide the phishing URL.
 - ✓ • Obfuscating a base64-encoded script by burying it in an SVG file to mask its destination.
 - ✓ • Launching a counterfeit Adobe-branded page to request and gain users' credentials under the pretense of accessing transaction documents.
 - ✓ • Mimicking users' company branding to gain users' confidence that the request is authentic.

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✓ Polling Question #4

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Which of the following are reasons that insurers are having financial difficulties?

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CEO and Founder

Michael McLafferty CPA, MBA,
FACMPE, FACHE, FHFMA

michael@mjmaes.com

<https://mjmaes.com>

Cell 732-598-8858