

Healthcare
Current Events
Forum

NJ HFMA
Healthcare Current
Events Forum (HCEF)-
October 2024

Healthcare Current Events Forum

Agenda

- ✓ **National/State Issues**
 - ✓ KPMG Healthcare Update
 - ✓ CMS Final Medicaid Unwinding
 - ✓ CMS Increases Challenges for MA
- ✓ **Part A**
 - ✓ Kaufman Hall Hospital Flash Report
 - ✓ Hospital Labor Stabilizing
- ✓ **Part B**
 - ✓ Private Equity Physician Purchasing
 - ✓ AMA Effort to Increase Physician Pay
- ✓ **Payers**
 - ✓ Disruption for MA
- ✓ **Technology**
 - ✓ BDO – Guide to Using AI in Healthcare
- ✓ **Next monthly meeting**
 - ✓ Wednesday, November 20, 2024

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✓ National/State Issues

✓ KPMG Healthcare Regulation

- ✓ CMS released a final rule that makes major changes to the Medicaid Drug Rebate Program (MDRP), including an expanded definition of outpatient drugs. The rule address drug misclassification, as well as drug pricing and product data misreporting by manufacturers.
- ✓ CMS finalized a rule targeting suspicious billing activity in the Medicare Shared Saving Program.
- ✓ HRSA will allocate \$75M to support access to and quality of healthcare in rural parts of the country; the funding will be used to launch innovative opioid treatment services, strengthen the quality of maternal healthcare, and financially support rural hospitals.
- ✓ In new guidance, CMS reminded states of their duty to cover comprehensive services, such as transportation to appointments,³for children.

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✓ **National/State Issues**

✓ **KPMG Healthcare Law and Policy Update**

- ✓ MA and Part D premiums, benefits and plan choices are expected to remain similar in 2025, according to CMS.
- ✓ Two Senate Democrats plan to release a bill that would make permanent the Marketplace's enhanced premium tax credits.
- ✓ Measles cases are rising throughout the US, as the rate of inoculation against measles has steadily fallen since the start of the COVID-19 pandemic.

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✓ National/State Issues

✓ CMS Unwinding of Medicaid Enrollments – December 31st Deadline

- ✓ States must attempt to conduct an automatic renewal for all beneficiaries using income data from other social programs, a process called “ex-parte renewals.”
- ✓ When ex-parte renewals can’t be completed, states are required to provide forms to beneficiaries and only ask them for the information needed to determine their eligibility.
- ✓ States are required to give enrollees a reasonable timeframe for returning enrollment forms, though that period depends on factors such as age, disability status and family status.
- ✓ States need to ensure enrollees have the opportunity to submit their paperwork in a variety of modalities, including through the mail, online, on the phone and in person.
- ✓ State agencies are required to reconsider terminations that are made when certain beneficiaries don’t return their forms, as long as that information is submitted within 90 days of the termination.
- ✓ States have to consider all bases for Medicaid eligibility before they deny an application or renewal.
- ✓ When a beneficiary is found to be ineligible for Medicaid, states must determine whether that beneficiary is eligible for another insurance program and must transfer their enrollment to that program in a timely manner if they qualify.

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- ✓ **National/State Issues**

- ✓ **CMS Increases Challenges for MA Star Points**

- ✓ The Centers for Medicare and Medicaid Services is elevating most of the "cut points" used to calculate 2025 Medicare Advantage star ratings.

- ✓ If you're a health plan and your performance stays the same but the cut points move, you could lose a star rating on a given measure because you didn't keep up with the overall market.

- ✓ Cut points are fundamental to how CMS awards stars. Each year, the agency evaluates plan performance on about 40 measures, which each receive a score out of five based on where cut points are set.

- ✓ Average star ratings climbed over the years, leading CMS to raise the bar and make top scores harder to earn.

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✓ Polling Question #1

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Which of the following is true about CMS star ratings changes?

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- ✓ **The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement**
- ✓ **Kaufman Hall October 2024 Hospital Flash Report (August 2024 Data)**
 - ✓ **Key Findings**
 - ✓ 1. August data show relatively stable margins. Patient volume has increased, but once adjusted for volume, revenue and expenses have also declined.
 - ✓ 2. Average length of stay is trending down. This development indicates less severe patient acuity and efficient care transition pathways.
 - ✓ 3. On a volume-adjusted basis, expenses show a slight decline. While expenses are still high compared to previous years, the growth rate is slowing down.
 - ✓ **Operating Margins**
 - ✓ CYTD – 4.2% Operating Margin August 2024
 - ✓ Monthly – 4.3% Operating Margin August 2024

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

✓ **Hospital Labor Levels Stabilizing**

- ✓ Fitch Ratings reported that hospital staff payrolls have been steadily expanding and now represent a 6.7% increase relative to the pre-pandemic month of February 2020.
- ✓ The U.S. Bureau of Labor Statistics indicates a measure of equilibrium, with hospitals adding 9,600 positions in August — roughly in line with pre-pandemic levels.
- ✓ Fitch indicated that improved stability in staffing is reflected in a reduction in the quits rate from 2.9% in May 2023 to 2.3% in July 2024. That's still up from an average of 1.6% for 2010-19.
- ✓ Fitch statistics indicated that year-over-year employee earnings rose by 3% in 2024, compared with 4.2% in 2023, which was a period of intensified efforts to attract and keep hospital employees as a tactic to diminish the need for expensive contract labor.

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✓ Polling Question #2

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Which of the following is not true about current Hospital Labor Levels?

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

✓ **Private Equity and Physician Practice Purchases**

- ✓ Private equity firms are struggling to find buyers for physician groups in the wake of increased oversight and financial pressure.
- ✓ Rising interest rates, lower evaluations and tougher regulations have scuttled potential private equity-led physician group deals.
- ✓ Healthcare private equity activity was sluggish in the second quarter, accounting for just 10% of all private equity deal value, according to Pitchbook.
- ✓ Antitrust scrutiny is also expected to shift more PE investment from healthcare delivery to digital health, healthcare information technology companies and other sectors of the industry, Pitchbook analysts said.
- ✓ Private equity will become less attractive to potential sellers, and the pendulum will swing back to traditional entities like health systems.

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- ✓ **The Centers for Medicare and Medicaid Services (CMS) – Part B Reimbursement**
 - ✓ **AMA Advocates for Increased Physician Pay**
 - ✓ With physicians yet again facing a Medicare payment cut, the AMA spearheaded a letter to congressional leaders that all 50 state medical societies and 76 other health organizations joined in signing.
 - ✓ Enact an annual, permanent inflationary payment update in Medicare that is tied to the Medicare Economic Index (MEI).
 - ✓ The Medicare physician pay schedule has statutory-required budget neutrality requirements that must be modified.
 - ✓ Various legislative proposals call to replace key elements of MIPS with a data-driven performance payment system that, among other things, freezes performance thresholds for three years to allow recovery from the COVID-19 pandemic and Change Healthcare cyberattack

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✓ Polling Question #3

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Which of the following is true about Private Equity and Physician purchases?

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✓ Payers

✓ Market Disruption for Medicare Advantage Plans (MA)

- ✓ Among these changes are increased government scrutiny, tighter CMS regulations, reduced base payments, and rising healthcare costs.
- ✓ 1. Benefit stability will win out among beneficiaries over "innovation."
- ✓ 2. MA organizations will need to improve care management, including avoiding hospitalizations and proactively managing chronic conditions.
- ✓ 3. MA competition will increasingly focus on a plan's effectiveness and service quality.
- ✓ 4. Brokers will become more important than ever.
- ✓ 5. Stronger relationships will prevail over "partnering with everyone."

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✓ Technology

✓ BDO-Healthcare Guide to Artificial Intelligence (AI)

✓ The following steps are recommended:

- ✓ Understand and explore what AI can do. Learn its practical applications for your people, organization, and industry, as well as its risks and limitations.
- ✓ Align your organization's AI vision with your goals and values, ensuring it adheres to ethical principles and your sustainability practices. Create your strategic roadmap by pinpointing the areas where AI can add the most value to your business.
- ✓ Design a holistic AI governance program that integrates legal, regulatory, privacy, security, and ethical considerations. Build the data infrastructure to support identified and future AI use cases.
- ✓ Communicate the “why” behind the AI, then the “how.” Provide clarity on roles and incentivize engagement and adoption while offering the training and resources necessary for employees to succeed.
- ✓ Test, refine, and launch your initiative with mechanisms in place for continuous feedback and iteration. Measure performance
- ✓ impact, learn from issues, and celebrate your wins.

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✓ Polling Question #4

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Which is not part of a market disruption for MA?

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