Knowledge is Power:

Pinpointing Key Risk Areas for a Smooth Post-Acute M&A Transaction

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“Knowledge is power” is a universal truth across many settings and industries, including post-acute mergers and acquisitions. Having the most current and accurate information possible is key whether you are evaluating day to day operations, preparing to put an organization on the market, or as a buyer evaluating a potential home health or hospice acquisition. Numerous factors need to be addressed in the due diligence process beyond just an organization’s financials. Buyers need to fully understand the ins and outs of all key processes and programs within an organization, with one of the most important factors in a health care organization being clinical compliance.

Many home health and hospice organizations use historical data to draw a conclusion on their clinical compliance effectiveness, but this use of historical data alone doesn’t always prove to be the most reliable.

> When evaluating a potential acquisition or preparing to go to market, historical data should be leveraged along with a detailed review of current practices and data to gain an accurate perspective of overall clinical compliance, the risks it may face, and thus its value.

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Recognizing clinical compliance risks

Home health and hospice organizations are held to greater compliance scrutiny with every passing year.

1,235
Individuals

In fiscal year 2019, Medicare Fraud Control Units saw 1,235 individuals or entities excluded from federally funded health programs and 1,111 fraud convictions.

Conducting a clinical compliance review of current documentation can accurately confirm delivery of service and aid an organization in uncovering risks areas. The following are examples of risk areas that McBee has uncovered when conducting home health and hospice clinical compliance reviews:

Home Health:

- Technical findings around face-to-face (F2F) requirements, such as the encounter visit completed by the certifying physician, are not timely or do not match the reason for service.
- The 485 (physician orders/plan of care) is signed. However, the physician failed to date their signature.
- Lack of supporting medical necessity in the skilled nursing visit notes. All discipline visit notes should document that the patient remains homebound, as well as provide documentation of a skilled intervention provided during that visit.

Hospice:

- Utilizing outdated forms or misusing electronic medical record (EMR) systems that leads to failure to capture the information required by Medicare for admissions. Forms, paper and electronic, should be reviewed to determine if they have the proper verbiage regarding a start of care, or identification of the attending/ordering physician.
- Technical findings around certification of terminal illness (CTI). The CTI has requirements that must be met for hospice service to be eligible. For example, the initial CTI requires two physician signatures when an attending is elected by the beneficiary. CTI is required to be signed no more than 15 days prior or within 2 days of the recertification date, unless a verbal certification is obtained. If any of these requirements are not met, then the CTI process is at risk.
- Missing detailed clinical documentation that supports eligibility at admission and recertification. If visit assessments and notes do not provide comparative data, such has activity of daily living changes, decline in weight or Body Mass Index (BMI), a palliative performance score (PPS) less than 60%, etc., the record could be at risk due to lack of supporting documentation.

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Understanding any potential level of risk is a vital part of the clinical due diligence process. Whether determining if you are compliant now, preparing for a sale, or evaluating a potential acquisition, a thorough clinical compliance review will to help organizations understand their historical trends, evaluate current risks, as well as identify specific areas for improvement. These reviews provide vital insight into how well an organization is providing care with the necessary documentation to justify that the services provided are compliant with Medicare regulations.

Leveraging PEPPER data: risks & rewards

Buyers want to know the organization's compliance history, as well as where they presently stand. In the rapidly changing environment of post-acute care, understanding the current health of an organization's clinical compliance far outweighs the importance of uncovering past challenges. Utilization of older data, such as data obtained yearly from the Program for Evaluating Payment Patterns Electronic Report (PEPPER), can offer comparison and information derived from the past three years of billing patterns.

However, the data is not reported in real time. PEPPER data is based on four to six target areas and is used to compare the provider to those providers in their jurisdiction and on state and national levels. While this is useful to show potential risk as compared to others, data from the PEPPER has a large emphasis on the past operations of the organization.

Derived from Medicare billing practices of prior years, the PEPPER is limited in scope. According to CMS, "PEPPER cannot be used to identify the presence of payment errors, but it can be used as a guide for auditing and monitoring efforts to help providers identify and prevent payment errors." To paint a more accurate picture, home health and hospice organizations should conduct clinical compliance reviews on a sample of current patients. Remember that knowledge of past risk does not always reveal current risk.

Knowing what the current practices are, and the current risk level often means the difference between an acquisition or investment into the organization closing or not. In addition, having the knowledge ahead of time will save significant due diligence headaches both in terms of time and effort.

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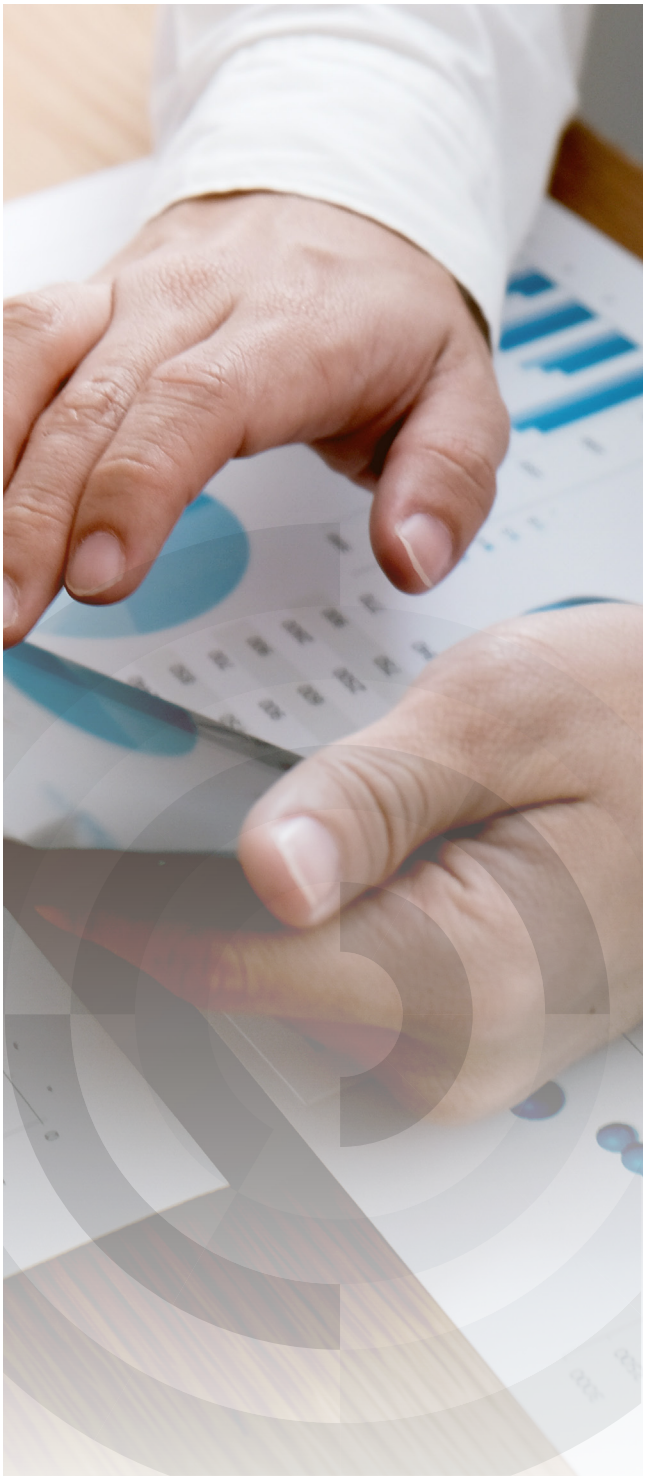

Conducting clinical compliance reviews

Whether preparing to go to market or arranging for a clinical compliance review of a potential acquisition, keep your organizational goals in mind and how they can be achieved. Depending on the size of your organization, each provider number should be reviewed independently to assess their individual strengths and weaknesses. Random sampling can often provide a better overall view of an organization's clinical compliance. Targeted reviews can also be conducted based on referral source, diagnosis codes, length of stay or level of care to provide a deeper dive into potential risk areas outside of random sampling.

A review can be limited or broad in scope depending on the information desired. Prior to beginning a clinical compliance review of records, it is important to indicate what information is desired and what focus is needed to obtain that result. Survey deficiencies, PEPPER or focused medical review findings could drive focus areas within the review to validate corrections in documentation or process deficiencies. Hospices can benefit tremendously from a clinical compliance review that encompasses the admission benefit period and the most recently completed or current benefit period. By performing an assessment of the first and last benefit period, the process of hospice admissions and all the technical aspects of starting care become clear. This also includes the recertification process and determining if the patient remains eligible for care. Under home health's Patient-Driven Grouping Model (PDGM), conducting clinical compliance reviews on an organization's ability to manage low utilization payment adjustment (LUPA) thresholds while continuing to certify homebound status, ensuring each visit meets medical necessity requirements and properly identified significant co-morbidities is key in determining the efficiency in their clinical operations.

Clinical compliance reviews can be customized to obtain desired information.

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Compliance checklist

Hospice admission

- ☐ Election of benefit signed and dated per requirements
- ☐ ICD-10 diagnosis codes, including all comorbidities
- ☐ Signed timely ICTI by both attending and hospice physicians
- ☐ Brief narrative summary completed timely and per regulations by hospice physician
- ☐ Plan of care established both timely and individualized
- ☐ Medication identified as related and non-related
- ☐ Clinical documentation using local coverage determination to support hospice service

Hospice recertifications

- ☐ Signed timely CTI by hospice physicians
- ☐ Brief narrative summary completed timely and per regulations by hospice physician, including significant co-morbidities identified
- ☐ Interdisciplinary meetings occurring every 15 days with plan of care updates as indicated.
- ☐ Clinical documentation using local coverage determination to support hospice service
- ☐ Clinical documentation review of any cases now over 180 days of uninterrupted service for hospice, including F2F requirements
- ☐ If a change in a level of care has occurred, a review can reveal any risk for requirements, e.g., the admission and discharge from a level of care was timely, properly documented and provided according to Medicare guidelines

Hospice plan of care

- ☐ Required every 15 days plan of care interdisciplinary meeting can be reviewed for timeliness per regulations
- ☐ Frequencies for discipline are individualized for the interventions needed on plan of care
- ☐ Assure plan of care is updated as indicated based on individualized needs

Home health start of care

- ☐ Physician order for home health services
- ☐ ICD-10 diagnosis codes including all comorbidities
- ☐ F2F encounter completed timely and per regulation
- ☐ Plan of care/485 orders established and individualized to patient
- ☐ Documentation provided to support homebound status and the need for skilled service
- ☐ A close review of records for all disciplines. RN, PT, OT, speech, social work and others can be evaluated to show appropriate care

Home health recertifications

- ☐ Review of new orders and plan of care at time of recertification
- ☐ Assessment notes supports need for service
- ☐ ICD-10 diagnosis code matches 485/order
- ☐ Medication list reviewed and updated as indicated
- ☐ LUPA or late discharges affect payment and proper documentation is key to ensuring proper billing
- ☐ Ensuring that all services are reasonable and necessary, as well as properly documented with clinical review of the records
- ☐ Proper discharge after goals of care are met for therapies

Home health plan of care

- ☐ Individual goals can be reviewed for accuracy
- ☐ Orders and changes in plans of care can be reviewed to show if proper documentation justifies services rendered
- ☐ Frequencies for discipline are individualized for the interventions needed on plan of care
- ☐ Plan of care contains required elements per regulation (e.g. advance directives addressed, verbal order obtained for care, supplies are identified, etc.)

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Insight into quality

The greatest value of a clinical compliance review is the impact it has on revealing how dedicated an organization is to providing quality care. All home health and hospice organizations are required to have a Quality and Process Improvement (QAPI) team in place to tackle issues. A clinical review of records can demonstrate to a QAPI team where their efforts have been successful and where they need to provide corrective action. Depending on the scope of the clinical review, an organization can identify risk in processes, documentation, delivery of care or technical issues prior to billing.

Knowing that a problem is present can allow for a rapid response to avoid greater issues in the future by quickly deploying corrective action through process changes, enhanced oversight or targeted education. Taking any necessary action needed can further showcase the seller's commitment to quality and compliance, as well as prevent any future missteps that could introduce setbacks go-to-market process or prevent a transaction from occurring. It is crucial as a buyer to understand the pros and cons surrounding the seller's quality. Evaluation of the organization's quality is important. As the new owner of the organization, you take on the risk associated with that provider number, which is subject to Medicare's seven-year look-back period. During this review of quality and compliance, it's important to evaluate the weaknesses that could be corrected through ongoing education and monitoring, or if larger systemic issues are driving the deficiencies.

This knowledge, information, and action can be leveraged to make a home health or hospice organization a better performer day by day, and it also has tangible and intangible rewards at the time of a transaction too. Strong compliance adds value because it reduces risk. An organization that is better prepared to prove its current clinical compliance is going to be more valuable, even if the financial picture is the same, than one that is reliant on past history. In turn, that will lead to an easier and faster due diligence process and greater certainty of closing the transaction.

Identification of Trends

Clinical compliance reviews can help identify underlying trends that are present within an organization's clinical operations. This is especially helpful when a home health or hospice has multiple sites or programs. For example, one site may have difficulty with proper EMR utilization or documenting by discipline, while another has no difficulty or completely different challenges. If problems exist, a review of records may identify that an individual or team needs education regarding documentation compliance or properly leveraging their EMR. Often, a review may identify that a problem involves a process that inhibits the flow of care or timely documentation and submission.

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About McBee

McBee is a recognized leader in providing financial, clinical and operational strategic advisory services that have addressed the unique needs of more than 3,800 providers across the healthcare industry. Since 1973, McBee has designed services to address challenges and ensure the success of healthcare organizations across the continuum of care by delivering meaningful insights, tailored strategies and sustainable results. With an average of over 20 years' experience, McBee's consulting professionals have extensive expertise and in-depth knowledge of healthcare regulations and policies. Health systems, physician groups, home health, hospice, long-term care, skilled nursing and other healthcare organizations across the nation look to McBee to provide comprehensive services and expert resolution of the various challenges they encounter. McBee's unwavering dedication backed by their industry knowledge has made them one of the largest, well-regarded healthcare consulting firms in the country.

About Mertz Taggart

Mertz Taggart is an industry-leading mergers and acquisitions firm specializing in home health, home care, hospice, and behavioral health. This focus yields invaluable insight into the challenges and opportunities operators face. The depth of our industry knowledge is garnered by our relationships with industry leaders, knowledge of buyers' acquisition strategies, and our hands-on experience as family, owners, investors, and operators of health care companies. Our competitive advantages translate to maximizing value for our clients, as proven by over 100 successfully completed healthcare transactions since 2006.

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