

## “Pay for Performance” MVP Act of 2005 ARE WE READY?

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Next year Medicare will be forty years old. Also next year, Simione Consultants celebrates forty years of delivering consulting services to the homecare & hospice industry. The changes that have taken place during these forty years have been constant, consistent and in some cases catastrophic. A catastrophic change is sudden, comes with little warning, and after it takes place nothing will ever be the same. The “Interim Payment System” (IPS) was a primary example of a catastrophic change. Agencies that reacted to the change, and transformed how they did business, were able to survive. Not only have they survived, but they are now thriving under the Prospective Payment System (PPS). Then there were the agencies that were slow to change, or ignored the change because they believed that things would go back to the way they were. Many of these agencies were part of the 30%-35% that went out of business as a result of IPS.

The next couple of years will bring about yet more changes in the way we are reimbursed for home care services under the Medicare Program. These changes will be of the constant and consistent variety where we will have time to react and make the necessary enhancements to our agencies to comply positively.

During the first ten months of 2005, “Pay for Performance” (P4P) has quickly moved from an academic concept supported by MedPac to a more structured methodology supported by Congress. There is now proposed pending Legislation which includes implementation timelines. Initially MedPac recommended to Congress to direct CMS to include measures of functions supported by the use of information technology in Medicare initiatives to financially reward providers on the basis of quality.

The Medicare Value Purchasing Act of 2005 (MVP Act of 2005) is pending in Congress in reaction to MedPac’s recommendation. According to the “*Medicare*



*Value Purchasing Act of 2005”, June 30, 2005, Section by Section Summary*, this Act “links a portion of Medicare payment to the quality of services delivered by providers and creates an overall structure that would allow the Secretary of Health and Human Services (HHS) to reward providers first for reporting quality and later for quality improvement and attaining certain quality thresholds.”

The Act also instructs the Secretary to “select measures of quality according to the following criteria:

- Measures are evidence-based, reliable, valid, and feasible to collect and report.
- Include measures of process, structure, outcomes, beneficiary experience, efficiency and equity.
- Include measures of overuse and underuse.
- Include measures of health information technology infrastructure.
- Include measures relevant to rural areas.
- Include measures relevant to frail elderly and those with complex chronic conditions.”

### Specifically the MVP Act of 2005:

- “Establishes a program to reward quality care among home health agencies.
- Provides higher Medicare payment to agencies reporting certain measures of quality care.
- Creates a payment pool that is distributed to agencies meeting certain thresholds based on quality performance and performance improvement.”

The MVP Act of 2005 timelines for implementation for home health agencies is as follows:

### Beginning in 2007:

- “Home health agencies reporting quality data would receive the full market basket update to their Medicare payments.
- Home health agencies not reporting would receive an up-date of 2% lower.
- Process measures will also be included.”

### Beginning in 2008:

- “A ‘quality pool’ will be created using 1% of home health payments to providers reporting data on quality of care.
- Funds will be re-distributed to those providers based on obtaining a certain threshold of quality performance or quality improvement.
- Thresholds will be determined by the Secretary.
- ‘Quality pool’ will increase by .25% annually, so that available funds total 2% in 2012.
- Total amount of value-based awards will equal the total pool available for such awards.
- The Secretary would establish a process to provide for the public reporting of data on quality of care in a manner that is understandable and usable to the public.”

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## Simione Consultants, LLC Creates Information Technology Consulting Division

“Our clients have been turning to us to help them get the most from their IT investments” says William J Simione, Jr., Managing Principal of Simione Consultants, LLC. “They recognize that the depth of our industry experience helps us to know what home health and hospice organizations really need from an Information System. We created our Information Technology Consulting Division because we seek to deliver services that are responsive to the needs of our clients.”

The division unites expert staff in home health information technology with the strong consulting teams from our operations and finance divisions. Leading the division is Suzanne B. Sblendorio, Senior Manager with Simione Consultants since 2002. Suzanne is a veteran of home health administration and information technology. The 10 years of experience she has in the vendor community combined with more than 30 years of industry experience help her to bring a unique perspective and practical strategies to our clients.

The Information Technology Consult-

ing Division will help clients maximize the return on their IS investment by helping them:

- find the best software and vendor match
- refine and improve work processes
- plan and control new system implementation
- review the utilization of the system

The services offered by the division support the client in assessing the adequacy of an existing system and selecting and implementing a new system.



Selection Services include the:

- identification of requirements
- preparation of Request for Proposal
- structuring of vendor and product evaluations.

We provide service, direction and guidance during the critical phases of implementation. Throughout the project we serve as liaison to the vendor and help you to:

- establish realistic expectations
- develop your implementation plan and timeline
- map your current work processes and evaluate their suitability to the new system
- implement process changes
- set up your system and make data build decisions
- identify and manage project issues and risks
- provide project management and leadership
- analyze the extent of utilization of the system post go-live.

For more information about the Information Technology Consulting Division of Simione Consultants, LLC, please contact Suzanne B. Sblendorio at [ssblendorio@simioneconsultants.com](mailto:ssblendorio@simioneconsultants.com) or call her at (973) 667-9485

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While we feel that the pending legislation is imminent, as with any legislation, there remains a great deal of unanswered questions. Here are just a few of the issues that we, as home care providers, should monitor as the regulations for this act are developed:

- *Payments under the Act will be budget neutral*, therefore there will be both winners and losers (i.e. if some providers are going to be paid more, others will be paid less). Will the “quality pool” be funded with a 1% rate reduction to each individual provider?
- *Will the distribution of the “quality pool” be weighted similar to a “bell curve”* where the number of winners and/or losers will be dependent on the scores?
- *How is the threshold to be calculated?*
- *The Act consistently mentions Health Information Technology* as a means to achieve efficiency and quality. How will this be measured or financed?
- *How will cash flows be affected*, since the distribution of the “quality pool” does not have to be made until 12/31 of the following year?

These are just a sample of issues/ques-

tions that have to be monitored. However, as we have learned from the past, there are things that we can start doing now to position ourselves as winners. Some strategies include:

1. Perform a complete operational and organizational review of your agency’s processes and structure. Now is the time to assess your efficiencies and cost effective practices. Don’t wait until you are under the gun with rate reductions.
2. Evaluate the effectiveness of your existing information system in streamlining your operations and providing needed information.
  - First assess if you are maximizing your use of the system. Simione Consultants has found that 75%-80% of the agencies don’t use their systems to their full capability.
  - Next, evaluate if the required functionality is present. If you conclude that your present system does not align with your business objectives, start the search for a replacement. It takes a lot of time and effort to select and implement a new system; you don’t want to do that at the same time you have to comply with the requirements of the MVP Act of 2005.

3. Continually monitor and assess your compliance, quality and financial performance through a structured internal audit process.

4. Enhance, start and/or update your marketing program including an evaluation of your web site and marketing collaterals. All agencies, large and small, need critical mass to survive in today’s environment. While larger is not always better there is safety in numbers.

Agencies that continually improve their structure, processes, compliance, quality performance and marketing efforts will survive and thrive no matter what the government and/or managed care throws at them.

Simione Consultants can assist you in the design and/or implementation of any one of the above objectives. Simione Consultants, LLC is comprised of experienced professionals with proven capabilities and records of service to the home health care and hospice industry. Our professional staff consists of individuals with strong financial experience in areas such as accounting, financial analysis, and reimbursement issues as well as clinicians and administrators with strong home care, hospice and operational experience.

# Cost Reporting Issues and Payment Information

Maureen Laskowski, Manager [mlaskowski@simioneconsultants.com](mailto:mlaskowski@simioneconsultants.com)



## Cost Report Due Dates

Cost reports are due five (5) months after the close of the fiscal year. Don't wait until the last minute. Many agencies can now obtain their PS&R report electronically from the Fiscal Intermediary.

If your agency was affected by Hurricane Katrina, you may be eligible for an extension. "As stated in 42 CFR 413.24 (f)(2)(ii), extensions of the due date for filing a cost report may be granted by the intermediary only when a provider's operations are significantly adversely affected due to

extraordinary circumstances over which the provider has no control, such as flood or fire". Providers must submit their request for extension in writing to their Fiscal Intermediary.

## Hospice Cost Report

Electronic filing of Form CMS 1984-99 became effective for cost reports beginning on or after December 31, 2004. Agencies are required to file their cost report to the Fiscal Intermediary using CMS approved vendor software. **Is your agency prepared?**

## Home Office Cost Statement

Effective for cost reporting periods beginning on or after September 30, 2005, CMS has revised the Home Office Cost Statement and has issued Form CMS 287-05. This revision updates the forms and instructions, while eliminating obsolete items. The form can be found in the newly created Chapter 39 of the Medicare Provider Reimbursement Manual, Part II.

You can download the forms and instructions from the CMS webs site at [www.cms.hhs.gov/manuals/pub152/PUB152.asp](http://www.cms.hhs.gov/manuals/pub152/PUB152.asp)

## Form CMS-339 Questionnaire

**Do you know that CMS is proposing to eliminate Form CMS-339?** In the Federal Register (Volume 70, Number 121) dated June 24, 2005, CMS proposes eliminating the Provider Cost Report Reimbursement Questionnaire and including the applicable questions on the individual cost reporting forms. Watch for further details in the upcoming months.

## Importance of Filing Accurate and Timely Cost Reports

It is extremely important that the cost report you file is on time, accurate and in compliance with the Principles of Medicare Cost Reporting. Failure to file on time or filing a noncompliant cost report could result in suspension of your Medicare payments. CMS is using the information from filed cost reports as part of the basis for rebasing PPS rates in the future. It is imperative that they be filed correctly so that changes to the PPS rates are based on actual costs.

NAHC's Home Care and Hospice Financial Management Association (HHFMA) uses the cost report data to establish benchmarks which agencies can use to evaluate and improve their operations.

## Provider Claims

The time limitations for filing provider claims to a Fiscal Intermediary are as follows:

Dates of Service	Submission Due Date
Oct. 1, 2003-Sept. 30, 2004	Dec. 31, 2005
Oct. 1, 2004-Sept. 30, 2005	Dec. 31, 2006

## Hospice Payments Rates

Hospice Payments Rates for the period October 1, 2005 – September 30, 2006 are as follows:

Description	Rate	Wage Component Subject to Index	Non-Weighted Amount
Routine Home Care	\$126.49	\$ 86.91	\$ 39.58
Continuous Home Care	738.26	507.26	231.00
Inpatient Respite Care	130.85	70.83	60.02
General Inpatient Care	562.69	360.18	202.51

The wage index can be found in the Federal Register (Volume 70, Number 149) dated August 4, 2005.

The latest hospice cap amount for the cap year ending October 31, 2005 is \$19,777.51.

## Home Health

Watch the Federal Register for the final rule on the Home Health Prospective Payment System rate update for calendar year 2006. You can log onto [www.gpoaccess.gov/fr/browse.html](http://www.gpoaccess.gov/fr/browse.html)

If you need to obtain software or would like Simione Consultants to prepare your cost report, email Maureen Laskowski or call at 800-949-0388.

## IMPORTANT NOTICE

We will be providing copies of The Simione Advisor electronically in the future. If you are interested in receiving an electronic copy, please forward your e-mail address to [newsletter@simioneconsultants.com](mailto:newsletter@simioneconsultants.com).

## PRESENTATION SCHEDULE

**National Association for Home Care  
and Hospice – Seattle, WA**  
October 24, 2005

***Compliance & Your Agency: Is Your  
Compliance Program Really Working?***

Presented by Robin Seidman, with  
Mary Lenzini, President, CEO VNA  
Southeastern CT and  
Jeannette Schreiber,  
Partner, Wiggin and Dana LLP

***www.DueDiligence:***

***What, Why, and When***

Presented by Sheldon Berman

***Using Operational Benchmarks to  
Strengthen Your Hospice Program***

Presented by Patti Gray

***Dashboards:***

***Check Them Before Flying***

Presented by Ron Barrera and  
Cathy Follmer, Executive Director  
Mercy Home Care

October 25, 2005

***Private Duty Program:***

***The First Six Months***

Presented by Carol Conrad  
and David Berman with  
Andrea Devoti, V.P., CEO  
Neighborhood Health Agencies

***Referral Boosting Strategies***

Presented by Betty Gordon

***Starting a Hospice Program:  
Issues to Consider***

Presented by

Robert J. Simione and Robin Seidman

# ***It's Not An Option It's A Requirement***



## **Hospice Cost Report has a new Electronic Filing Requirement**

**Texas Association for Home Care  
New Graunflles, TX**  
November 2, 2005

***Home Care It's Past, Present and  
Future – Demographics for Change***  
Presented by William J. Simione, Jr.

**Home & Health Care Association of  
Massachusetts – Westborough, MA**  
November 17, 2005

***Improving the Financial Performance  
of Hospital Based  
Home Health Agencies***  
Presented by William J. Simione, Jr.

### **THE SIMIONE ADVISOR**

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